the four most heavily indebted Lat-

nine big U.S. money centre banks

At the end of 1983 the nine U.S.

noney centre banks had loans of

\$40.4bn outstanding to Mexico, Bra-

zil, Venezuela and Argentina, ac-

cording to figures published by the U.S. bank regulators. This is nearly

a third more than their entire capi-

Since Mexico's financial crisis in

the autumn of 1982 the nine money

banks had increased their lending by \$1.5bn to \$13.7bn but the 185 re-gional banks had reduced their

At the end of 1983 the combined

exposure of the nine money centre

banks to the four countries had reached 128.3 per cent of their capi-

tal. The next 15 biggest U.S. banks

had similar exposure equivalent to

91.9 per cent of their capital. The Regional banks' relative ex-posure bas fallen sharply, from 50.4

U.S. bonds, Page 18

Continued on Page 16

lending by \$600m to \$12.7bn.

since the start of the international

in American countries.

debt crisis.

tal of \$51.5bn.

willing to act again as it did two centre banks have increased their weeks ago to help balt a run on lending to the four countries by Continental Illinois, Chicago's big. \$2.6bn. The next 15 biggest U.S.

Fed pledge to

maintain U.S.

bank stability

BY PAUL TAYLOR IN WASHINGTON AND WILLIAM HALL IN NEW YORK

MR PRESTON Martin, vice-chair-

man of the U.S. Federal Reserve

Board, said yesterday that the Fed was willing to do whatever is

needed to maintain the stability of

The Fed was prepared to "lend.

lend boldly, and keep on lending,"

should any more major US banks run into liquidity problems, he said.

His remarks were seen as per-

haps the strongest attempt yet by

U.S. bank regulators, to calm the

nerves of the financial markets and

bead off additional rumours like

those which swept the markets last

week. They came in response to a

question about whether the Fed is

gest bank and the eighth largest in the US.

Since then, attention has focused

oo the major U.S. banks' lending.

the U.S. banking system.

NEWS SUMMARY

GENERAL

Nato ministers gloomy on arms

Nato foreign ministers appear to have concluded that no chance exists for resuming U.S.-Soviet arms control talks this year and probably beyond.
Ministers who recently visited

Moscow are expected to report renewed uncertainty over the Soviet leadership when a Nato ministerial meeting opens in Washington to-day. Hans-Dietrich Genscher, the West German Foreign Minister, was in the Soviet capital last week and is likely to detail hardline attitudes encountered, and the apparent ill health of President Konstan-

tin Chernenko. Page 16
Herr Genscher announced at the
weekend his intention not to lead his Free Democrat party into the next German elections in 1987.

Beirut alert

Police and troops put a cordon-around the American University of Beirut after U.S. intelligence warned that pro-Iranian militants planned mass kidnappings of U.S. academics and diplomats.

Dissident freed

Peter Uhl, 43, a prominent member of the Charter 77 Czechoslovak humen rights movement, was released from prison after a five-year term on charges of subversion. emigres said in Vienna.

Milk chief abducted

Angry French dairy farmers abducted the head of France's national milk board in Rennes, starting a police search across the Breton countryside.

Olympics letter

Olympic chief Juan Antonio Samafor Soviet leader Konstantin Chernenko with him to Moscow tomorrow, in a final effort to prevent the Los Angeles Games boycott.

Catalan test

A Barcelona court ruled that it could not hear embezzlement and frand charges against Catalan na-tionalist leader Jordi Pujol, fuelling a row facing Spain's Socialist Gov-ernment. Page 5

Fuel leak

Soviet railway freight wagons are so old and full of holes that 3 per cent of the country's annual coal output ends up between the tracks, reported Eko, an economic journal.

Lebanese vote

The Speaker of the Lebanese Parat fixed Thursday morning for a vote of confidence in Prime Minister Rashid Karami's "National Unity* Government.

Israeli verdict

Two Palestinians who hijacked an Israeli bus died from blows to the head and body after capture by security forces, not during fighting as was first claimed, an official inquiry and Page 2

Taiwan reshuffle

The Taiwan Government reshuffled ris Cabinet, days after a new premi-er was named. Page 2

Egypt poll due

Final results are due today for Egypt's parliamentary elections. President Hosni Mubarak's party was expected to win easily in a low turnout. Page 2

Briefly . . .

¥ .4

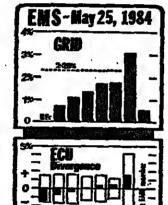
Eric Morecambe, British comedian, died at 58. Obituary, Page 13 Landslide at a mining community in Dongehuan, south-west China, killed about 190.

BUSINESS

Tokyo to announce financial reforms

forms, due to be announced in To-kyo and Washington in the next 24 hours, are less stringent than the Bank of Japan had at one stage feared, according to a senior central bank official in Tokyo. Page 16

EUROPEAN Monetary System trading was rather confused last week. The dollar lost ground on fears of another major bank experi-encing financial difficulties, but the extent of the fall was limited by the effects of renewed tension in the Gulf war. Activity eased ahead of



the weekend, giving rise to some er

ratic movements.

The D-Mark was firmer against its EMS central rate but showed little overall change against trading partners as most currencies benefited from the dollar's weakness. A prolonged dollar decline could ulti- German Chancellor, yesterday by M Michel Vauzelle, the Elysee to the British to move." mately bring fresh pressure to bear forced a common front to press for Palace official; as showing that German officials also stressed on weaker member currencies, however. Currencies, Page 32.

ranch said he would take a letter The chart shows the two constraints on European Monetary System ex-change rates. The upper grid, based on the weakest currency in the sys-tem, defines the cross rates from which no currency (except the lira)
may move more than 2% per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

ROMANIA opened a \$2bn canal, which cuts the passage from the Danube River to the Black Sea by 370 km and is designed to attract shipping from Western Europe to the Middle East Page 7

DOLLAR gained ground in Frank furt despite underlying concern over the U.S. banking sector. 1t closed at DM 2.7305 (compared with DM 2.7225 at London's Friday close); SwFr 2.2495 (SwFr 2.245); FFr 8.392 (FFr 8.385) and Y231.90 (Y231.70). Sterling was quoted at \$1.3828 (\$1.385). Currencies, Page 32 TOKYO investors adopted a wait-

and-see attitude and the Nikkei Dow market average fell 11.32 to 10,116.04 in the thinnest trading seen this year. The Stock Exchange index fell 4.2 to 790.35. Report, Page 25; Leading prices, Page 24 JOHANNESBURG Stock Exchange is on the verge of establishing a second market for small new compa-

nies which do not qualify for a list-ing on the main market. Page 18 WALL STREET and London markets were closed for public HONG KONG prime lending rates

underwent their second rise in two weeks, rising 0.75 per centage points to 12.75 per cent. Page 2

The editorial content of today's international edition has been restricted because of continuing in-dustrial action by IG Druck und Papier at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news, the final Wall Street report and closing U.S. over-the-counter and Canadian share prices.

Iranian threat to Arab states over support for Iraq

BY KATHY EVANS IN TEHERAN AND REGINALD DALE IN WASHINGTON

President Ali Khameni of Iran yesterday called on the Arab states of the Gulf to decide between neutrality and their support for Iraq.

Speaking at the inaugural session of Iran's new Majlis (parliament), the Iranian leader warned that, if the states chose to continue their backing for Iraq, "It is natural that they must take the conse-quences. This cannot be avoided."

He spoke amid beightened specu-lation, supported by U.S. satellite pictures, that Iran may be about to launch a new ground offensive against Iraq on June 1, the beginning of the month-long fast of Ram-

Last night on Iraqi television an unnamed brigadier told viewers "the Iranian enemy has completed its preparations for a new offensive on the southern sector." Iran bas massed about half a million men on pear to be complete.

In the southern sector conditions have, at least until recently, made an offensive difficult - if not impos-sible - because of flooding of the marshes as a result of melting snow in the northern mountains and the deliberate breaching of Tigris dykes by the Iragis.

budget issue ahead of oext mooth's

crucial Community summit at Fon-

Agreement to stand firm over UK

er ties across a range of political

planned agreement to develop joint-

ly an anti-tank belicopter for use in

to interest Britain and other Nato

members, will result in planned French and German orders for 427

machines worth DM 7bn (\$2.55bn)

for use in the 1990s.

the French and German armies.

One political reason for delaying the long-expected campaign bas been the elections for the new Majhis and the need to obtain maximum solidarity in support of it.

Since Iraq began successfully attacking Iranian oil traffic last month and Iran retaliated by striking at Arab-owned vessels, Ayatol-lah Khomeini's regime bas shown mcreasing impatience with the assistance given to Iraq by the conservative Arab oil producers of the Gulf and, in particular, their finan-cial aid, now totalling at least

The new session of the Majlis, which is even more packed with religious fundamentalists than its predecessor, was opened with a the border and logistical arrange message from Ayatollah Khomeini, ments for a large-scale attack ap- He exhorted "all to save the country and Islam against conspiracies and

No reference was made by President Khameni to the U.S. decision to rush to Saudi Arabia Stinger portable anti-aircraft missiles, with their launchers, and two KC-135 tanker aircraft for refuelling Saudi F-15 fighters in flight.

The Franco-German summit, in-

on Community issues but also on

lecommunications, computers and

terrand's tough line over the British

talks yesterday afternoon between

the two government leaders, n Ger-man official said that the two sides

had underlined that Mrs Thatcher

was up against a "firm position of

West German support for M Mit-

summit meeting here. As a key part sides, is intended to lay down fresh agreement in all areas.

high-speed trains.

of the Government's plans for clos- guidelines for co-operation not only

and industrial areas, the two sides bilateral topics such as links in te-are de to sign today a longue- lecommunications, computers and

The belicopter project, in which budget contribution was uncomprothe two countries hope eventually mising. Following a first round of

The helicopter deal, the latest in the Nine. Terming the majority

growing defence co-operation be- that Herr Hans-Dietrich Genscher

Paris and Bonn agree

Yesterday the U.S. was reported to be planning to double the number of missiles to be dispatched with the aim of bolstering Saud Arabia's defences against possible Iranian air attacks.

Administration officials said they would supply 400 of the shoulder fired missiles, rather than the 200 previously envisaged.

The latest plan appeared to be to sell Saudi Arabia the missiles, together with 200 lanchers, at a cost of more than \$30m. Another option under consideration had been to lease the missiles to Saudi Arabia allowing them to return to American control once the crisis in the

especially to Latin America. Last The U.S. administration dropped plans to supply Saudi Arabia with 1,200 Stingers two months ago, af-ter Congressional and Israeli oppoweek this led to a serious erosion of investor confidence, sent bank stocks tumbling, battered the dollar and led to a "flight to quality" as investors scrambled to buy the shortsition. While there is still some opposition in Washington to supplying erst and safest paper - U.S. Treasuthe sophisticated weapons to an Ar-ab state, President Ronald Reagan was expected to go ahead with the The investors' fears were highhighted yesterday with the release of figures on the banks' exposure to deal under emergency procedures

Herr Kohl, who in a French

hailed Franco-German collabora

tion as the "indispensable condi-

of contacts in recent months

tion" for future European unifica-

tended into a formal dinner at the

Rambouillet chateau south west of

Paris, also touched on the con-

troversy over Luxembourg's just-

television salellite in 1985 in co-op-

Rain fails to dampen spirit of Bonn rally on UK budget demands

BY RUPERT CORNWELL IN BONN

TO JUDGE from the rain which set Mayr, chairman of IG Metall PRESIDENT François Mitterrand space projects in both the civil and Brussel summit in March as "the and Herr Helmut Kohl, the West military fields, was hailed last night last word", the official said: "it is up tled yesterday in an unremitting backed by the assembled brass of grey sheet over the capital of West Germany, eveo the Almighty is none too keen on the 35-bour week. 200,000 engineering workers detweeo Paris and Bonn in strategic the Foreign Minister, underlined areas extended into armament col-laboration as well. his approval yesterday for Presi-dent Mitterrand's Strasbourg scended on Booo from all over the country and beyond, doubling the city's population, to prove their speech last Thursday calling for budget demands came on the first volving the two heads of governday of a two-day Franco-German ment and 15 ministers from both boration, possibly without British commitment to a shorter working week. And to a certain extent it

From dawn onwards the 60 sperial trains and 3,000 buses commisnewspaper interview yesterday sioned by IG Metall, the striking engineering union, disgorged their human cargoes, clad in their union's uniforms of yellow jacket

tion, has been building up personal ties with M Mitterrand in a series and red plastic belmet. In the afternoon they gathered at Bonn University, to hear Herr Hans Yesterday's meetings, which ex-

German labour - berate employers, Government and, above all, the Federal Labour Court for its refusal to permit short-time state tor workers involuntarily idled by strikes. The court, he said, had broken

national and international law with its decision. The Government backed by the conservative press had indeed produced an economic recovery but only "for the employ-ers, capital and speculators," he

The unions, Herr Mayr declared would see the struggle through to victory. His audience, buddled bedraggled but defiant under umbreilas, cheered every word.

Continued on Page 16

Sales of home computers run out of steam

By Louise Kehoe

THE WORLD bome computer market seems to have run out of steam. Sales this year, widely forecast to The figures show that the U.S. re-gional banks bave cut their relative exposure times as quickly as the rise to about \$3bn, are now expected to total little more than half that

Manufacturers and market analysis bave been surprised by a steep decline in sales over the past four months. They have noticed only recently that the usual post Christmas slump was sharper and

longer than expected.
Alr James Morgan, chief executive of Atari, the U.S. group, said shipments of his company's home computers in the first three months of this year were 35 per cent lower than in the first quarter of 1983.

Mr Sandy Gant, a specialist in the home computer market at Info-corp, a California market research company, said: "Since December we have significantly lowered our forecast for sales in the under-\$1,000

category for this year."
"The market is very soft right now," he said. "With a lot of advertising to boost sales in the autumn, we can hope for unit sales to equal those of last year at a higher average selling price.

Another market scorekeeper, Future Computing of Richardson, Texas, is also becoming more cautions. We put shipments of home computers at 6.5m units this year, and that is optimistic. We may well downgrade those numbers again next mooth, says Dr Egil Juliuss-

Software publishers are even more gloomy. "I think the size of the bome compuler market has been grossly overstated," declares Mr Cary Carlston, vice-president of Broderbund Software, a computer

Mr Trip Hawkins, president of Electronic Arts, publisher of several top-selling computer games, calls industry torecasts "completely rid-

"If we (the lodustry) have a good year there will be about 1.5m units sold in the U.S., perhaps 2m world-

Even chip makers have noticed a downturn. Last week the Semiconductor Industry Association attributed a 2 per cent decline in industry order rates last month to personal computer makers' shrinking

Several factors bave contributed to declining bome computer sales. First, consumers became disillu-

Continued on Page 16

Dutch propose new UK gas deal to compete with Sleipner offer

a long line of Franco-German aero- Community offer to Britain at the eration with U.S. Interests.

BY WALTER ELLIS IN AMSTERDAM

to pipe gas to Britain on terms high. which it believes are competitive with those proposed for supplies from Norway's giant Sleipner field. the Dutch option - which would encent increase in the Netherlands' sterdam, to a terminal at Bacton, proven reserves of gas, from near Norwich, in England — while 1,530bn cubic metres to 1,900bn cu—British Gas apparently prefers

Gasunie is now anxious to proexisting gas export deals. A series of new contracts could

nancing difficulties, and an agree-ment with the UK would be a valuable bonus. The Dutch initiative follows talks earlier this year after Britain's De-

partment of Energy urged British by Gas to discuss a possible deal with Mi The British utility concluded.

GASUNIE, the Dutch natural gas bowever, that the volume on offer GASUNIE, the Dutch natural gas bowever, that the volume on offer A new pipeline could add greatly corporation, has made a new offer was too small and the price was too to the British gas industry's bar-

The British Government is understood to be enthusiastic about The news coincides with the antail a new pipeline from Callant-nouncement yesterday of a 24 per soog, 50 miles north-west of Am-Sleipner.

The Norwegians are offering mote fresh discussions with foreign more than 1bn cubic ft of gas a day governments on the extension of from around 1990. Gasunie is suggesting perhaps between 500m and 600m cubic ft a day but is pinning greatly ease the state's budget fi- its hopes on its price and flexible

> fore 1990, if a decision on a pipeline is reached early enough. The Dutch ublity, jointly owned y Shell. Esso and Dutch State Mines (DSM), distributes gas from more than 140 fields to the Nether-

gaining strength with other wouldbe suppliers. It would also give Brit-ain access to the continental grid, which could have potential for distribution in the opposite direction. An obvious stumbling block is

Norwegian gas coocern, have al-ready reached provisional agreemeet on future purchase. Until last year, the Netherlands

that British Gas and Statoil, the

was distinctly uneasy about its gas reserves and bad a policy of no sales abroad beyond 1990. It felt that the country's greatest single natural resource had to be jealously guarded for future generations. Then, the state geological service

pronounced that reserves were am-

ple, at existing rates of depletion, to last until at least 2050. Now the reserves are said to be greater still. UK offshore pay deal near, Page 8



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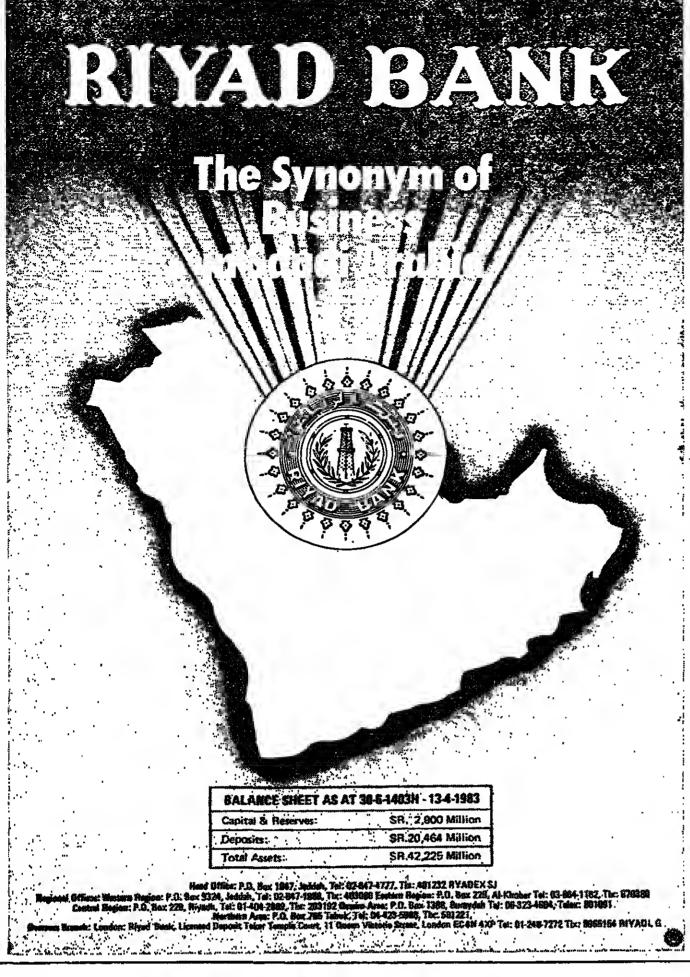
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T-Pam

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No FT-Plan...no comment.

Communists win another by-election in France

By David Housago in Paris

FRENCH Communist Party aiready appears to he reaping the fruits of its increasingly critical attitude towards the Goveromeot's economic and iodustrial policy.

For the second consecutive weekeod, it woo an uoexpected by-election victory in retaioing cootrol of the municipality of Houilles, south of Paris, where the March 1983 results bad been lovalidated.

A week ago, Dr Paul Souffrin, the Communist mayor of Thionville io Lorraine was also re-elected in spile of Com-munist fears that the fresh steel closures in the region would tell against a candidate of the

The Communists were also given a boost yestarday by the publication of a public opinion poll in the right-wing dally Le Figaro which showed that the Communists are the only major party to be gaining ground in the European election compains

tioo campaign.

The poll confirmed that the
Communists have increased
their pereceotage of the vote to

14 per cent as against 12 per cent in Fehruary.

The joint RPR-UDF opposition list, led by Mme Simone Veil, has lost five perceotage points since February, falling back to 43 per cent of the vote.
It emerged over the weekend
that the European elections will
only be the first of two major political hurdles that face the Government this month.

Government this month.

The second stems from the decision by the Roman Catholic education lobby to hold a mass rally in Paris on June 24 to protest against the new Bill on private eduation which had its first reading in the National Assembly last week.
The rally is expected to gather

1m people - making it the largest demonstration in the capital since the march down the Champs Elysées in 1968 in support of President de Gaulle. Though the organisers are attempting to limit the aims of the march to amending the Bill, it is likely to turn into a mass demonstration by the opposition parties against the Government. The Communist Party said

yesterday that the results con-firmed their belief of a recovery in the party's electoral support. The Communists' gains are obviously embarrassing to President Mitterrand after his recent attempts to curb Com-munist criticism of the Govern-

Return-to-work continues in Bombay area

BOMBAY — Army units will continue to patrol south-western India's rict-torn areas in case of a renewal of Hindu-Moslem clashes which have killed nearly 230 people, officials said yesterday.

Officials said large numbers of people were beginning to

of people were beginning to return to work in the region's textile factories after some 67,000 people fied the unrest. In the town of Bhiwandi to the north of Bombay, where sec-tarian clashes flared on May 18,

more than half the 40,000 textile power loums were back in operation yesterday, they added. Meanwhile, in New Delhi, one man was killed and another seriously wounded yesterday when police fired on demonstrators outside the Bangladesh High

Commission, police said.

They said the dead man was not a demonstrator but a passenger in a bus passing the mission. Two other passengers were slightly injured and one demonstrator was seriously

hurt.
Police fired 20 rounds after repeated baton charges failed to disperse the demonstrators. It said more than 15 people were

Botha calls for S. Africa to 'face realities of world'

BY OUR JOHANNESBURG CORRESPONDENT

MR P. W. BOTHA, the South African Prime Minister was due to leave the Republic last night on an eight-nation European tour, amid continuing moves over the independence of Namibia (south-west Africa).

The Namihian dispute is expected to be high on Mr Botha's agenda during his talks with European leaders, including meetings in London, Bonn and Lisbon.

Both the British and West German Governments are mem-bers of the five-nation Western contact group seeking a settle-ment in the territory, while

ment in the territory, while Portugal retains close ties with Angola, its former colony and a key participant in the dispute. Addressing a weekend rally of South Africa's ruling Nationalist Party, Mr Botha said South Africa had to "come out of the laager" and "face the realities of the world." He warned that should the country "chonse a path of isolation, boycotts would soon choke bet cotts would soon choke ber with loneliness."

The Danish Folketing yesterday called for new restric-tions on Danish trade with South Africa after a vote in which the non-Socialist Government was defeated by 85 votes to 75, Hilary Barnes

writes from Copenhagen.
The Folketing demanded reductions in coal imports from South Africa by the publicly-owned power utilities and ordered the Government to make it clear to oil com-postes and shipping com-panies that it is not consistent with Danish foreign policy for them to sell oil to South Africa or to transport pro-ducts to South Africa in Danish ships.

Botha said: "We are not setting out on a campaign of conquest." Rather, he continoed, "we are going with the firm conviction that South Africa has a place in the community of nations which it can fulfil."

been made a pre-condition by South Africa to implementation of the United Nations' settle-

of the United Nations' seitlement plan for the territory.

But there have been tentative signs that this precondition, which has United States' backing, may be dropped or modified by Pretoria in exchange for a state of the sta substantially reduced UN role in the run-up to Independence. The issue was raised in Lusaka at the weekend during talks between the U.S. Assistant Secretary of State for African Affairs. Dr Chester Crocker, and Dr Kenneth Kaunda, the Zambian President. Dr Kaunda initiated the current round of negotiations on Namibia when he hosted all-party talks earlier

this month.

The South African Prime Minister will be anxious to convince European leaders that progress over the disputa is indeed being made, as well as to argue that other recent events in southern Africa, including the signing of a non-aggression pact with Mozambique, marked the start of a new relationship with the this month. with loneliness."

The withdrawal of some Mozambique, marked the start
At a farewell ceremony 25,000 Cuban troops in Angola, of a new relationship with the
yesterday in Capetown, Mr which borders Namibia, has Republic's black neighbours.

Mubarak poised for election win

CAIRO — President Hosni
Mnbarak's ruling National
Democratic Party (NDP)
seemed set for a big general
election win yesterday, but the
right-wing WAFD party may
form the strongest parliamentary opposition Egypt bas had in many years.

Early returns of votes cast in a poll marked by violence and low turnout among the 13m registered voters showed the NDP well ahead of four opposition parties. Allocation of the 488 People's

Assembly seats will be made final today, after computers finish working out the result of a complex new proportional re-presentation electoral system.

opposition would muster around 100 seets in the new chamber. This would be the biggest parliamentary opposition in Egypt since the 1920s. There were just 21 opposition seats

The main challenge to the NDP came from the right-wing WAFD, a revival of a nationalist party formed in 1919 under the late President Anwar Sajat in a poll which opponents alleged had been rigged.

Brotherhood.
Interior ministry sources said WAFD, which only overturned a court ban on its existence in January, seemed so far to be getting one vote to every three for the roling party.

Political analysts said this mighg fulfil predictions that the opposition would muster around

electoral oblivion. Party officials conceded it was also an open question whether the lef-wing unionist progressives and Socialist Labour party would

Palestinians 'killed after attack on Israeli bus'

BY LYN RICHARDSON IN TEL AVIV

TWO OF the Palestinians who apparent injuries, were later-hijacked an Israeli hus six reported to have been killed weeks ago were killed by hlows when the Israeli troops stormed the bus to the head and body after the storming of the bus by Israeli security forces, and not during the counter-assault as the list blunt instruments. One lings of a Commission of the other of bead injuries. lngs of a Commission of Inquiry show,

the bus. The Commission says the two were dealt severe blows to the back of the head and body

Prof Moshe Arens, Defence Minister, said he regarded the The Commission was headed by Mr Meir Zorea, a former controller of the Israel Defence Minister, said he regarded the behaviour that led to the deaths of the two men with the upmost gravity. Disciplination was set up after public measures will be taken against pressure mounted for an ex-

pleasation as to why the two Israeli Security Forces who did terrorists, one of whom had not fulfil their duties, and been photographed being led further investigations are to be away from the scene with no conducted.

Recognition grows for Arab society of accountants

BY BARRY RILEY

THE FORMAL recognition of tions still coming in at the rate the newly-formed Arab Society of Certified Accountants by Jordan last week is expected to be followed in the near future by recognition from four other Arab countries.

Incorporated only last January, with the assistance of one of the British accountancy bodies, the Association of Certified Accountants, the ASCA is now busily recruiting members throughout the Arab world.

According to its founding pre-sident, Mr Talal Abu-Ghazaleh, there have been more than 700 applications for full and stu-

gone much faster than we ex-pected," said Mr Abu-Ghazaleh. "We are already in orbit." The ASCA's third council

of 50 a day.
"The launching process has

meeting in Amman last week agreed to set up a centre in Jordan and the society is also

negotiating for premises in London. A three-man executive team has been recruited. The idea of the Arab Society arose from a visit to the Gulf area in 1983 by Professor John Small, then president of the ACCA in London. Professor Small is now honorary adviser

Genscher may rock coalition

BY RUPERT CORNWELL IN BONN

Dietrich Genscher, the West Ger-man Foreign Minister, not to lead posts of party leader and Foreign man Foreign Minister, not to lead his Free Democrat (FDP) party into the next general election in 1987 ade. may well secure relative peace at next weekend's key FDP congress. But this might be at the cost of adding to existing uncertainties over

This was the prevailing impression in Bonn yesterday, less than 24 hours after Herr Genscher let slip the news, the timing of which caught even seasoned observers on the wrong foot, during a televisioo It was time, he said, for "a young-

er man" to take over, indicating that his successor might be one of "a new generation of outstanding draft Bill for the amnesty. state chairmen of the FDP." Count Otto Lambsdorff, the party's next most prominent national figure, and currectly Economics Minister, has already hinted he will not be

Tactical considerations appear to have played a large part in the deci- bave been at issue.

THE DECISION of Herr Hans- sioo of Herr Genscher, 57, who has Minister, without a break for a dec-

Dissatisfied accusations that he had not been paying enough atten-tion to party affairs have been evident for some while within FDP the future of the ruling centre-right ranks. Then, earlier this mooth, ment's proposed amnesty on tax a fight on its hands to secure 5 per evasion in connectioo with party cent of the vote, without which it political donations.

> plan in great secrecy, only to be forced by a gale of grassroots protest inside the party to change his mind. In embarrassment and no

Everything presaged a stormy FDP congress in Münster from Sunday, at which not only Herr Genscher's position but also his decision to jump horses from the SPD Social Democrats to the Christian Democrats in October 1982 would

Now that his departure by 1987 is assured, however, his party will be happy to confirm him as leader for two more years, and concentrate its eoergies oo the most pressing question: the forthcoming European

The FDP desperately needs a convincing congress as a launchpad for the campaign. Recent regional came the debacle over the Govern- election results suggest it will have will not be represented in the next Herr Genscher first agreed to the Strasbourg parliament. FDP spokesmen yesterday dis-

missed suggestions that Herr Genscher had any intention of quitting as Foreign Minister before - or indeed after - the 1987 election. Eveo so, his announcement on Sunday will further cloud the muddy political waters in Booo.

The personal understanding between Herr Genscher and Herr Kohl is crucial to the stability of the coalition alliance between the Chancellors Christian Democrats, the FDP, and the CSU of the rumbustious Herr Franz Josef Strauss.

Hong Kong banks raise interest rates

By David Dodwell in Hong Kong

HONG-KONG'S prime lend-HONG-KONG'S prime lending rates were raised by 0.75 of a percentage point yesterday, to 12.75 per cent. The increase is the second in two weeks, but was shrugged off by the local stock markets where the increase had been expected. Houg Kong's Hang Seng ladex rose by 16.32 points to close at 919.31.

ece the Ho dollar was pegged to the U.S. dollar last antumn interest rate movements have been the only mechanism available to the colony's banking authorities to regulate the flow of capital into and out of the comomy.

In recent mouths, spiralling interest rates in the U.S. have led to a steady drain of investment capital out of Hong Kong.

Taiwan Cabinet shuffled

By Bob King In Taipei

THE Taiwan Government has reshuffled its Cabinet a week after President Chiang Chiang Kno was sworn in for a second six-year term and just days after his nomination of Mr. Yn Kno-Hua as Prime Minister received legislative approval.

The change in faces at the top, however, does not spell any policy changes for Taiwan. Policy in generally set by the ruling Nationalist Party and implemented by the bureau-

eracy.

If anything, the shape of the new Cabinet further underscores the party's com-mitment to strengthening Taiwan's economy and the pragmatic technocrats who have worked to this end.

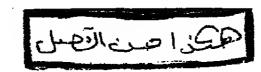
Singapore labour costs set to rise

By Chris Sherwell in Singapore

EMPLOYERS in Singapore face a sharp increase in labour costs from July 1 as a result of an average 10 per cent increase in wages and higher contributions to the country's national savings scheme for employees.

The Government yesterday accepted the recommendations of the National Wages Council for an 8-12 per cent wage increase, the largest rise since 1981. The recommendation is followed by most employers.

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NORTH WALES: EEC MILK CURBS WILL LOSE TORY VOTES

Welsh referendum on dairy policy

"WE GET JOPPLED in April, and they expect us to vote for them in June." The farmer at Anglesey's Gaerwen cattle mart shook his head firmly. "It's just not on. No way."

Joppled is a word coined out the holiday complex at the switch of the farming vote candidates, he ran a close total—would be enough to close second to the Conservatives in the gap between the Torics and the general devocal Conservative who won the cons

Joppled is a word coined out of Michael Jopling, Minister of Agriculture. If means to be harshly treated, to have one's livelihood threatened. It stems from the Government's agree.

She bas written to 2,300 farmers, sympathising with ment a few weeks ago to a cut in Britain's EEC dairy quota, even if some financial help is offered later. The move has so incensed the dairy farmers of north Wales that it could well cost the Conservatives the cost cost the Conservatives the seat in next month's Euro-elections. A 9 per cent cut in milk production threatens dairy farmers with a substantial loss of income, and some perhaps with bankruptcy. The fall in auction prices for milk cows has already reduced the value of stock by a third,

In one stroke, the deal has completely overshadowed the benefits of EEC membership which are more tangibly evident in North Wales than many other parts of Britan—

the hitherto solid farming section of her vote.

She bas written to 2,300 farmers, sympathising with their plight, and demanding special financial help from the Concernent to ease the transi-Government to ease the transi-tion. She has criticised former agriculture minister Peter Walker and the Milk Marketing Roard for encouraging expan-sion; and protested to Michael Jonling and Welsb Secretary Nicholas Edwards, about the sudden reversal.

sudden reversal.

But none of this had superently impressed the farmers she met at Gaerwen last week. Squetching hravely round the market — lately modernised, ironically, with the help of another £44.000 from the state of the proper state. Brussels—Miss Brookes got few words of cheer.

year's general election in the

the gap between the Torics and the Alliance.

But this—and the general decline in Tory support over the past year—may be subject to another aggravation. Miss Brookes was involved in a wrangle last year over the Tory nomination year over the Tory nomination for the Westminster seat of clwyd North West. She says that the struggle has left no bitterness. Sir Anthony Meyer, who finally got the seat, oroposed her adoption as Euro condicate.

Bu Mr Geraint Morgan, for-mer :AP for Denbigh, who lost out la the struggle, last week regretted that be had "wasted the prime years of my life in the service of the Conservative Party." He publicly ursed Tories not to vote for Miss Brookes but for "candidates of proven personal integrity" like proven personal integrity" like youthful militar Tom Ellis, of the Alliance, and nationalist cause. Dafydd Iwan, of Plaid Cymru.

Plaid Cymru's base in the west was hid enough to give it two seats at Caernarion and Mr Ellis seems best placed to take advantage of all this Based on the votes cast in last apparent Conservative disaffec- Meirionydd in the general elec-year's general election in the tion. He was Labour MP for tion—but it is bardly a plat-Port Dinorwic power station, ten Westminster seats which Wrexham for 13 years and an form from which to capture this built with 277m of EEC money, make np this Euro-constituency, MEP from 1974 to 1979. As wide spread constituency.

now runs a record company and sings robust songs about his cause—"but only in Weish," and that can bave little mean-—they can register their pro-test on June 14 by chaoging their MEP without displacing ing for voters in the Anglicised

east.

It is there, around the Labour held seats of Wrexham and Alyn and Deeside, that Labour's Ian Campbell is strongest. The Labour vote, he says, is growing, with many new party members. And, he correctly points out it. correctly points oul, it only needs a slightly higher swing from the Tories to Labour than to the Alliance to give him the

But it seems doubtful whether the farmers will square his promise of a better deal for them with his pledges of cheaper food all round; or whether the almost extinct Labour vote is Anglesey and the West will be revived by bis ferrent feeth seen in unlistent. fervent faith, say, in unliateral nuclear disarmament.

Philip Rawstorne

rallying cry for Papandreou By Andreana lerodiaconou in

DR ANDREAS PAPAN-DREOU, the Greek Prime Minister, pledged over the weekend to continue to fight for a special relationship with the EEC.
He accused the previous

He accused the previous Conservative government of baving failed to extract the maximum benefit from Community membership, by placing the interests of Greece second to those of Europe.

"The representatives of the Right said they were Enro-Right said they were Enro-peans first and Greeks second. The Europeans ignored them.
Why should the EEC give
more to those who are satisfied with crumbs." Dr Papandreon told supporters gathered for a Enropean election rally in the Peloponnesian lown of Patras, in the Prime

Minister's bome district.
The June 17 Enropean vote is seen in Greece as a critical performance test for Papan-dreon's Socialist Party (Pasok). The Socialists ended nearly half a century of rightwing rule in Greece when they swept to victory in October, 1981, 10 months after Greece's accession to the EEC.

Both the Prime Minister and Mr Evangelos Averoff, the Conservative opposition leader, have launched a series of appearances around Greece in an effort to wea roters.

roters.

"We are waging a battle for a different kind of relationship with Europe, a baltle for a different kind of Europe," Dr Papandreoo said in his Patras speech, which served to introduce Pasok's main European election campaign slogan, "Greece first."

In a sign of the election fever gripping Greece, posters bearing the slogan and the bearing the slogan and the Socialists' green on white rising sun emblem decorated the approximately 150-mile long Athens to Patras highway, taken by the Prime Minister's limousine convoy. in his speech, Dr Papan-dreon repeated his government's commitment to boycotting Nato military exercises in the Aegean and closing

down the American bases in Greece. He accused the Conservatives of having failed Greece's loterests in keeping

the country in the Western strategic camp.

'Greece first' mitterrand initiative

French strategy for Europe hopes to combine two goals

The early consensus among many EEC Ministers and officials is that the French President was trying to 40 both After grilling M Claude Cheyson, the French external affairs south Ministers for the French external affairs minister, several Ministers left an informal gathering of foreign ministers in the south of France at the weekend somewhat more convinced that Paris has new ambitions for the Community.

But they are clearly not yet fully thought out. In the meantime the President can hope to bave scored some political points for his party by baving demonstrated a statesmanlike enthusiasm and idealism for Europe in bls speech to the European

UK not excluded

Other governments now expect M Mitterrand to pursue his idea of a new Treaty to extend Community law into wider policy areas at the summit be will host at Fontainebleau on June 25 and 26. Most agree, however, that this presupposes agreement either just belore or early in the summit on the final details of long-term curbs on Britain's budget payments and on new guidelines to discipline EEC

spending.
The President's call on "interested governments " to join in preparatory work on a new Treaty was widely interpreted as a readiness to see the UK excluded from such an EEC re-launch. Elysee officials have since been reported as stressing

a serious political dequivocal. Mr Uffe EllemanJensen, Deomark's Foreign Minister, told his national Parliament yesterday that top deepen political integration within the EEC? Or was he largely seeking to boost flagging support for French socialist party candidates in next month's European electrons?

The early control of the equivocal. Mr Uffe EllemanJensen, Deomark's Foreign Minister, told his national Parliament yesterday that top deepening co-operation within the framework of the existing Treaty of Rome. Danish sources say that any new Treaty would have to be the second or the control of say that any new Treaty would have to be the subject of a referendum which would inevitably open the still-confroversial question of Danish membership of the Community as a whole. Privately, some British offi-

class doubt that much more will be heard of M Mitterrand's Initiative after the European elec-tions, but the indications from Bonn are that M Mitterrand's ideas may become the basis of a Franco-German campaign for greater political injegration.

Scepticism

Paradoxically, there is rather more scepticism in Belgium and the Netherlands, where the the Netherlands, where the pulse of European Union tradillonally beats strongest, Ministers in both countries doubt the seriousness of French intentions, although they will probably do their best to encourage them.

Sir Geoffrey Howe was not alone at the week-end in recall-ing the fate of the so-called Genscher-Colombo initiative which began in 1981 as an attempt to secure a new Treaty of European Union and ended at the Sluttgart summit last Junc as a rather limp but "solemn declaration" in favour of making the Community work

better.
During those negotiations France was pretty far bebind the most advanced thinking on the future role of the European Parliament and on the use of majority voting. It was clever, however, of the French President to propose that the preparalory work on a possible new Treaty should be based on the Stuttgart Declaration and on the European Parliament's draft Treaty on European Union since the one represents current political realities since been reported as stressing and on the European Parliathat this is not the case while Sir Geoffrey Howe. Britain's pean Union since the one represents current political realities and the other a much more sents current political realities and the other a much more long-term dream. Significantly, Militerrand endorsed only the sions on a new Treaty.

The Danes are much more

LUXEMBOURG: INSTINCTIVE SUPPORT FOR CO-OPERATION

Where Europe is part of everyone's day-to-day life

Community sentiment. Two of cits principal industries, steel and dairy farming, are being battered because of recent EEC decisions. Worse, the European organisations, including the European parliament is trying to close its Luxembourg offices.

But there is no noticeable munity offices and the European parliament in this they in the sun.

European organisations, including the European parliament is trying to close its ment, are also appreciated for providing Luxembourg leaders with an opportunity for a place in the sun.

Walkabouts by parties.

At the European level, most observers expect the Socialists to pick up a second seat at the ings between the conservatives, and the voters and the voters are so the distribution will be two for each of the three main parties.

Luxembourgers, who have been dominated throughout history by their more powerful neigh-bours, almost instinctively back that promotes European co-oper-

, A

the hot

franks rae

interest ra

district.

Mr Nicolas Estgens, a Social Christian (conseravtive) MEP, says that a little country such as Luxembourg (population 364,000) would have no chance to survive economically on its

Mme Colette Flesch, the The Socialists may win most want Strasbourg to have more they detect a general unease ster, adds: "Europe is part of added to the Chamber of Election campaigning, like among the people about the

a vice-president of the last European parliament.

necessary because, for the second time, national elections are being held at the same time

as the European vote.
The Conservatives Liberals, who have formed a lack of power. The big countries have the power to protect their steel industries, for example, even if maintain their positions in the maintain are not as efficient as national parliament—24 and 15 seats respectively. past five years, are expected to tion rale will be taken as an maintain their positions in the indicator of indifference or hos-

There is no doubt about the European parliament.

In other countries in the level of participation in the level of participation in the community, the European Parliament elections are being used to some extent as a barometer on national issues.

In Luxembourg, this is not attention to the level of participation in the level of participation in the voting. Citizens are obliged by law to vote. However, they may leave their ballots blank and in 1979 a few more people left European hallots blank than national ballots.

LUXEMBOURG should be a our day-to-day life. We have hothed for anti - European 10 television channels, and community sentiment. Two of its principal industries, steel works at the European Community offices."

Deputies (to make a total of most things in Luxembourg, is future. Mr Charles Goerens, a carried out discreetly. There young Liberal MEP, says people is no television advertising, no see jobs disappearing in traditional industries, and wonder walkabouts by politicians in what their children will do.

the Government.

Neither of the other chal-

lengers appears to have quite

so much going for them. The stocky Welsh Nationalist chair-

man, Dafydd Iwan, admits that Mr Ellis is likely to take a large share of the Welsh speak-

ing vote. And while some of the Labour anger that waxed over Mr Ellis' defection to the

SDP is waning. Mr Iwan's image still bears the scars of his youthful militancy in the

The main vennes for meetings between the candidates and the voters are bistros and community balls in villages up and down the country. Poli-ticians speed their evenings moving from bistro to bistro. addressing audiences of anything from a bandful to 40 people. The atmosphere is usually informal, sometimes

exceptionally so.

No single issue has as yet Some politicians fear that significant numbers of young people will leave their European ballots blank this time as a comment on the Parliament's

people will leave their European standards.

Unemployment is less than 2 accounts are comfortably in accounts are comfortably in accounts are comfortably in surplus. Inflation is running at indicator of indifference or hostility to the European Parliament. Most Luxembourgers want Strasbourg to have more

In the industrial south, the Socialists complain that the aleel restructuring programme has been too severe. But their anger is directed at the Luxem

bourg government, not at the European Commission. This is because the Covernment bas supported the decision by Arbed, the leading national sicel company, to share produc-tion with the Belgian steel industry and thus cut more of its own capacity than the Com-mission demanded.

Similarly, in the north, farmers are hitter about the sector, but aim their attacks at the national government, not at

Brussels.
The only thing Luxembourgers will make a fuss about will be the continuing efforts of the European Parliament to eliminate its Luxembourg office

Ian Rodger

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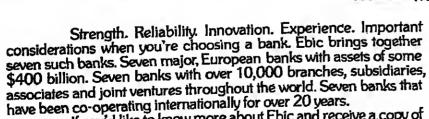












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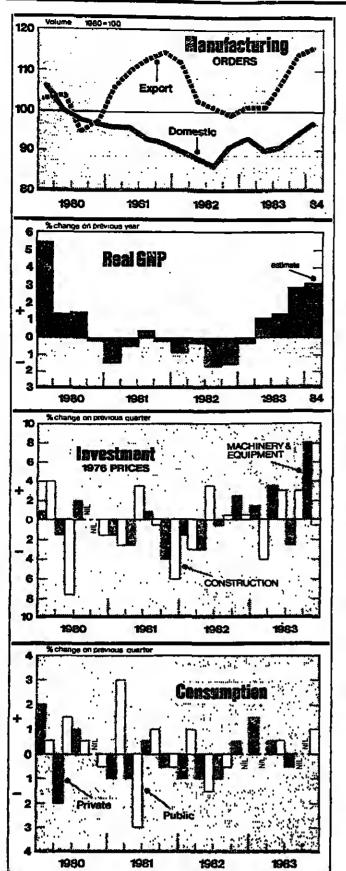
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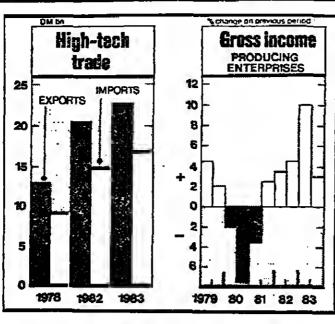
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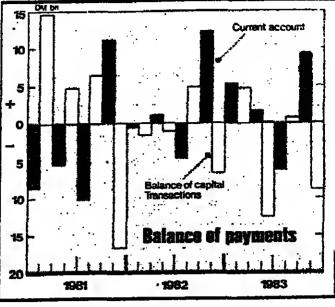


STATISTICAL TRENDS: WEST GERMANY









Corporate investment is spur to growth

THE RECOVERY in the West equipment is expected to German economy, which remained weak during much of 1983, was more firmly established by the beginning of this year. Real growth in gross national product for 1983 as a whole was only a little over 1 per cent, but the fourth quarter saw a rise of nearly 3 per cent on the corresponding period of 1982. Growth is expected to be sustained at around that level in 1984 as a whole.

The main impetus has come nat from higher personal consumption or increased public sector deficits, but from rises in capital investment by the corporate sector. Investment in machinery and

further strong growth in 1984, with a pick-up in construction investment. This is occurring on the back of a marked rise in corporate earnings during 1983.

The other main feature is a sharp rise both in exports and imports. This was alsa more apparent at the end of 1983 than at the beginning. with exports rising at an annual rate of 10 per cent by December. Faurth-quarter figures for the regional breakdown of West German trade show the steepest rises in exports going to the U.S.— up nearly 43 per cent an the previous year, and to Japan-

Source: Bundesmatek für Arbait

up 20 per cent.

COMPONENTS OF GNP 1962 1963 7944 1 -2.2 10 1.5 1 -1.0 -0.2 6.5 1 -5.1 2.9 5.0 1 -8.6 5.7 6.5 1 -3.9 0.9 5.0 3.7 -0.9 8.5 0.8 0.8 6.5 1.1 1.3 3.0 Private consumption Construction f Forecast. Source: Konjunkturforschungsinstitute

This pattern can be attributed to the stronger recovery occurring in those economies than in West Germany's EEC partners, and also to the D-Mark's depreciation against the dollar and yen. Inflation slowed during 1983 and the rate of increase

this year. The only warning sign is the rise in import prices. These rose barely at all in 1983 but have recently begun to accelerate. Dollar import prices, including energy prices, have gone up partly because of the appreciation of the dollar. About a third of German imports are denominated in

dollars. The rise in the dollar has been attributable mainly to factors external to the German economy, notably the recent renewed rise in U.S. interest rates. Sa although West Germany's current account balance strengthened in 1983, and will probably improve

may still not rise appreciably ogainst the dollar. The main feature of the capital acount in 1983 was a substantial increase in foreign investment in West Germany,

investment in West Germany, especially portfolio investment. Worries about the maintenance of the upturn include anxiety about the outcome of the present campaign of strikes aimed at securing a 35-hour working week. The background to the dispute lies in the rapid. rise in unemployment and the stagnation of real wages. Unemployment is still more than twice as high as it was at the beginning of 1981, although the rate of increase

fell continually in 1983.

hours shows that contractual hours, which fell more than nours, which jell more than
10 per cent between 1960 and
1970, and by 6 per cent in
the following nine years,
have hardly declined at all
since 1979. Actual working
hours, which were higher than contractual hours in 1970, are now lower because of a more short-time working. The good export performance

has calmed some fears that West Germany is losing its west Germany is tosing its competitive edge, especially in engineering. But worries about the high technology sector remain, despite the positive balance of trade in these goods which has strengthened since 1978.

		% change ov	ir pravio	US YEST		
			1980		1962	19
W. Ge	rmany	3.6	6.3	5.1	3.5	
Balgius	n	47	8.7	8.8	5.G	4
Danme		7.8	16.7	7.9	8.1	
France		9.6	13.6		11.6	10
UK		14.1	22.2	8.4	4.9	- 3
[IAIY		14.2	19.0	21.6	17.3	16
Nethar	lands	5.3	4.0	2.9	4.6	1
U.S.		9.0	10.4	7.8	7.5	
Japan		2.7	4.0	4.5	3.2	3
Switze	rland	2.4	3.3	5.6	6.2	4
		thes per unit of	Source	Deutsche Instit	ut for Wint	seh
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1981 ()	Mamber (000m) 1,074 1,194	Seasonal % change over previous period +6.9 +11.2 +12.2	y adjust	Number (000s) 2,179 2,281 2,317 2,261	% chang previous +5 +1	peris
1981 1981 111	Mamber (000m) 1,074 1,194	Seasonal % change over previous period +6.9 +11.2 +12.2	1983	Mumber (000x) 2,179 2,286 2,317	% chang previous +5 +1	peris
7981 11 11 119 1962	Mamber (000s) 1.074 1.194 1.340 1.500 1.662 1.758	Seasons: % change over previous period +8.9 +11.2 +12.2 +11.9 +18.1 +8.4	1983	Number (000s) 2,179 2,281 2,317 2,261	% chang previous +5 +1	peris
7981 11 11 11 1982	Mamber (000s) 1,074 1,340 1,500	Seasonal % change over previous period +8.9 +11.2 +12.2 +11.3 +18.1	1983	Number (000s) 2,179 2,281 2,317 2,261	% chang previous +5 +1	peris

	1960	1970		1979	79B
Contractual hours	2.124	1,899		1,784	1,77
Sickness	-113	-109		-103	-8
Overtime	+97	+178		+115	+3
Part-time	-20	-46		-69	~6
Lost time	-5	-15		-15	-2
of which				_	
Short-time working	o			.2	1
Bad weather	5	15		12 0	
Strikes, etc.	0	_			
Actual working hours	2,065	1,909		1,723	1,6
I aug. term. Canit	al Trans	actions			ures: IA
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	Dilibn.	net capital ex	1981	1962	19
German Investment abo	Dilibn.	net capital ex 1980 - 25.8		1962	199
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German investment abor Direct invastment Portfolio Other Origin invastment in (Dilibra, I	1980 - 23.8 - 7.4 - 7.7 - 11.4 - 2.3 + 34.5	1981 -27.5 -8.5 -6.0 -7.9 -4.9 +35.9	1962 -30.1 -5.0 -11.4 -6.3 -4.4 +14.2	198 -34, -7, -10, -11, -5, +27,
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German investment abort Direct invastment Portfolio Other Official Foreign invastment in Coloret daysstment	Dilibra, I	1980 -25.8 -7.4 -7.7 -11.4 -2.3 +34.5 +0.8	1981 -27.5 -8.8 -6.0 -7.9 -4.9 +35.9 +0.8	1982 -30,1 -6,0 -11,4 -6,3 -4,4 +14,2 +2,6	

			DMbn +	% char	980				
							**	chang	
		-		ptr 1983	-		over pr		
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of which	•			1.3	+3	L6	+3.6	-	- 12.3
U.S.				7.3	+3		+42.5		+4.1
Japan				4.5			+20.1		136.0
Centrelly	planned			4.3	-6		+7.0		15.8
of which			L7	3.5	-0		+3.2	_	-28.1
OPEC				7.3	+0		-20.5		21.9
	ng countries			9.2	+0		+57		11.7
Total	ud conumer	117		6.8	+11		+6.1		10.8
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	136.9	Yen	Currencies			eumptic	n 5.3	3.4	3.0
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79	175.3	125.2	143.6	Import			2.3	0.5	2.5
80	177.6	130.5	146.4	GNP			4.3	3.2	2.5
61	343.1	102.1	140.8	Sou	rea: N	onjunk	turiorschi	10 gg in:	stirut (
82	137.9	107.2	163.0	, —					
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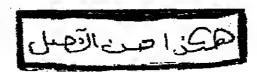
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March 1964



OVERSEAS NEWS

Reagan visit to Ireland may bring headaches

BY BRENDAN KEENAN IN DUBLIN

Dr FitzGerald has warned that

further investment could be threatened by protests, especially if they were violent. The anti-Reagan groups reject this idea, saying U.S.

nvestors come only because Ire-

land's tax breaks make it attractive

The threat to tourism is more

real. Americans may not be too hap-py about marches in support of Ni-

caragua's Sandinista Government. and conservative Irish Americans

may be estranged from a home

country which has changed beyond

In the end, the Reagan visit could have more effect on Irish Catholi-

cism than anything else. Dr Casey

plans to be diplomatically absent from Galway when Mr Reagan vis-its the city, where a cathedral built

hy the bishop contains a mosaic

commemorating another U.S. president with Irish ancestry, John F.

But, as one observer put it: "The

recognition from 30 years ago.

to dn so.

PRESIDENT Ronald Reagan's visit to his ancestral Irish roots this week, far from providing Dr Garret FitzGerald, the republic's Prime Minister, with a ready-made politi-cal triumph, may instead leave him with an uncomfortable political and security headache.

The origins of the protests which seem likely to mar the presidential trip probably lie in the funeral four years ago of Archbishop Oscar Romero of El Salvador.

The funeral of the archbishop, who was slain while saying mass. was attended by the then Bishop of Kerry, Dr Eamon Casey, and an en-terprising reporter from the Irish broadcasting service, RTE. When the funeral mass was also

attacked by gunmen, her gripping tape-recording of the terror and car-nage provoked an Irish interest in Latin American politics which has grown in the intervening years. .

In Ireland opposition to Mr Reagan's policies centres on Nicaragua and El Salvador rather than cruise missiles, and the protest will be led by churchmen like Dr Casey, now Bishop of Galway and a possible choice for the vacant archdiocese of

The usual left-wing groups which might be expected to object to a U.S. president, and who could safely be ignored, now find themselves in the unlikely company of the more progressive members of the

Roman Catholic clergy. Many lay and clerical Irish Catholics are working in the Third World and have been converted to the ideas of "liberation theology" ideas viewed with suspicion by most Irish bishops and the Pope. Dr FitzGerald's suggestion that

Mr Reagan be given an honorary degree from the national university has split the university's academic A dozen parliamentarians, including one from the Government, say they will boycott Mr Reagan's address to both houses of parlia-

ment, and Dr FitzGerald's coalition partner, the Labour leader Mr Dick Spring, has been ordered by his party to protest to Mr Reagan about

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THE RESERVE THE STATE OF

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ZHOU

RATION



President Reagan: posing problems for FitzGerald

Any U.S. President is, of course, used to protest, and the extensive bishops are supporting in Latin security arrangements should ensure that there is no personal emnounce from the pulpit if tried in barrassment or discomfort for Mr Ireland." Mr Reagan's visit is an op-Reagan. But the matter is of great portunity for liberals in the church importance to the Irish themselves. to bring the arguments closer to

The U.S. holds a special affection home and not a few churchmen will for many Irish people, as the place hope the questions retreat, along where millions escaped from powith Mr Reagan, across the Atlanverty and starvation at home in the last century, and where thousand have found opportunity since. Older people especially, will regard a pro test, however well-intentioned, as

ingratitude.
The Government's embarrass ment stems from the warm recep tion given to Irish leaders in the U.S. Last March, Dr FitzGerald be-came the third Irish premier to address a joint session of Congress - a remarkable gesture to a small coun try. Substantial anti-Reagan pro-tests in Ireland would provide a

sharp contrast. There are also fears that more practical harm could be done. U.S. companies are by far the higges foreign investors in the Irish Republic. The 36,000 people they employ make up almost half of those working in foreign-owned in-

Catalan bank fraud case to be put to Madrid court BY TOM BURNS IN MADRID

BARCELONA'S regional court charges followed investigations ruled yesterday that it was not by the Central Bank of Spain competent to hear charges of into the collapse of Banca competent to near than frank catalana in 1982 with a negative embezzlement and frank Catalana in 1982 with a negative brought by Spain's Attorney net worth of Pta 139bn (£64.8m nationalist leader Sr Jordi banking group ectively sponsored Sr Pujol's Pujol, who is President of sored Sr Pujol's Catalonia's regional government, The Barcelona court ruled and 24 other former senior 25-3 that only the Catalonian executives of Banca Catalana. Supreme Court was competent

The ruling has fuelled still supreme local legal body has further the controversy over the Banca Catalana affair, fast becoming the most serious polistical test faced by the Madrid Socialist Government since it took office 18 months ago. The Attorney General's charges, made public last week, have prompted a virulent response in Catalonia against Madrid and the central Government. Sr Pujol was re-elected President of the Catalan government in a sweeping electoral victory last month. He was the founder of Banca Catalana and its Chairman until he resigned in Pujol and by extension the

Chairman until he resigned in Pujol and by extension the 1977 to devote himself to Catalan autonomy process. The politics. He was first elected legal suit is seen as being President of the Catalan auto-sponsored by the Central Gov-

General's Party, Attorney

The charges are now expected to deal with the case according to go before the supreme court to the fine print of the Catalan in Madrid.

The ruling has fuelled still supreme local legal body has

nomons government in 1930 and enter as a revenge for Sr is regarded as the father figure of modern-day Catalan tory in elections last month at nationalism.

Argentina speeds up talks with banks on debts

BY JIMMY BURNS IN BUENOS AIRES

steering committee in charge of by the end of the mouth or Argentina's foreign debt. within a few days after that.

HIGH-LEVET. negotiations between Argentina and commercial banks on the country's \$43.6hm foreign debt problem are being speeded up as a result of the recent Argentine commitment to reach an early agreement with the International Monetary Fund.

So Enrique Garcia Vazquez, president of the Argentine Central Bank, confirmed over the weekend that he had held talks with Mr William Rhodes with the IMF "were going very well" and that a significant problem.

talks with Mr William Rhodes ing very well " and that a of Citibank and chairman of the letter of intent would be ready

Belgrade-IMF prices move

BY ALEKSANDAR LEBL IN BELGRADE

policy. This means that the fund will release the first tranche—\$100m—of the \$370m (£264m) standby credit for 1984 and that Yugoslavia will free the Yugoslavia Government was for slow meyitabla price totally prices on some 55 per to slow mevitabla price

YUGOSLAVIA and the International Monetary Fund have lifted while prices of some 35 patched up their differences per cent of goods were freed over the Yugoslav pricing subject to a 30-day notification

cent of goods.

As at May 3 the freeze on partly achieved, nothing stands prices of some 20 per cent of in the way of the measure goods, introduced in mid-being completely revoked.

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The Stock Trustee is obliged to make available to Debentureholders information which it believes will be useful to such holders, who from September 15, 1984 through Octnber 15, 1984 may elect either to allow the Debentures to mature on December 15, 1984 or, subject to certain conditions, to extend their maturity to September 15, 2002.

The Stock Trustee has therefore arranged for the preparation of a Booklet containing such information together with detailed information concerning the procedures Debentureholders should follow in electing whether or not to extend the Debentures. This Booklet will be available upon request on and after May 22, 1984 at the offices and addresses stretch below:

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OVERSEAS NEWS

Paris and Bonn have agreed to back key projects, Peter Marsh reports

W. Europe set to join U.S. space station programme

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major space powers, to support in Loodon. two projects closely associated

proposed by West Germany, with support from Italy, which would provide modular units, for example, for scientific experiments, that could be fitted to the U.S. station.

That would leave the way support a programme forward of the support and support a programme forward of the support and supp

support a programme favoured by France to develop a power-

together with Japan and Canada, to help build the S8hn

(£5.7bn) orbiting base, which

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a space station, following an to ask for broad approval for agreement between France and the scheme at next week's West Germany, the continent's seven-nation economic summit The European nations bave

with the orbiting outpost.

French officials have said they will back the Columbus project.

proposed by West Germany, hased in Paris, France and West

That would leave the way clear for a formal decision, probably by spring next year, to collaborate with the U.S. on the space station.

tively, cost about \$800m and S600m to develop. The first version of the Columbus module would be ready by 1990.

Based on the space lab, which ESA has already developed for trips into space inside the U.S. space shuttle, Columbus in its

pendent, giving Western Europe the capability to huild its own manned space station, perhaps after the year 2000. The main difference between

by France to develop a powerful cryogenic engine—a motor fuelled hy liquid oxygen and liquid hydrogen—for space vehicles.

The engine would form a key part of a new version of the Ariane launch vehicle that could ferry people or materials to the space station.

In January, President Ronald Reagan asked Western Europe, together with Japan and to collaborate with the U.S. on the space station.

Although some of ESA's that the latter would like to reservations about the two new projects, mainly on grounds of the new launch vehicle in which the cryogenic motor would be a key component.

Called Ariane 5. this would be able to send to the space station teams of astronauts annual budget of \$770m and the logether with Japan and organisation would virtually called Hermes.

organisation would virtually called Hermes.
fall apart if they did not get
their way.

As a prelude, the French
National Space Agency (CNES)

These people would have jobs in electronics or space research, for example, and participate in for example, and participate in forays out of the atmosphere, perhaps once every three years, low gravity of space, initially as guests on U.S. or Soviet space vehicles.

Other countries Furne and a series of the countries of t

France is particularly keen that the U.S. lets vehicles, other that the U.S. lets vehicles, other than its own apace shuttle, dock with the orbiting base. "If the U.S. doesn't agree to this, then we won't participate," says M Frederic d'Allest, directorgeneral of CNES.

of ESA should increase by 50 per cent by 1990 to accommodate the new schemes. West Germany attaches tess importance to Ariane 5 and thinks the budget should increase by only about 20 per cent.

Another difference is that France is more keen on using an orbiting hase for manned intervention with anace vehicles, for example, to regain faulty

for example, to repair faulty

satellites. would finance CNES officials are also study- space agency.

WESTERN EUROPE is should be assembled by the virtually certain to participate early 1990s.

According to nne German is considering setting up later ing the use of space outposts official. Columbus and the this year a pool of about five for milkary purposes, for this year a pool of about five for milkary purposes, for this year a pool of about five for milkary purposes, for example, for tests with laser

West Germany, in contrast, is entbusiastic about turning out new and exotic materials in the

Other countries fear that Europe could gain more from collaboration with the U.S. by concentrating on specific tech-nical disciplines—for example, ways of achieving automatic docking with space craft, or new communications technologies, rather than by backing targe expensive schemes.

France says the annual budget "I'm trying desperately to of ESA should increase by 50 avoid the politics and push the agency towards a programme that is technologically intelligent," one influentiat ESA delegate said.

Another concern is the running cost of the station, which could be as much as \$25n a year. According in some nations, Europe could end up paying a large proportion of these costs, which it is feared would financially cripple the





their weekly bours to create more jobs must fight for major time cuts over as short as possible a period if the move is to have maximum ef-

If possible, their negotiators should also seek to incorporate agreements on replacement staff to make up the lost productivity as part of the agreement.

These are among the controversial conclusions of a report, pub-

lished yesterday by the European Trades Union Institute, on the practical effects of the seven-year battle by its parent organisation, the European Trades Union Coofedera tion, to reduce the working week to

The study is certain to provoke hostile reaction from many employ ers, particularly in the light of current industrial action for reduced weekly working in West Germany that has brought tens of thousands of workers out on strike.

It is accompanied by two parallel reports on the economic cost of unemployment in western Europe and the use of public investment to boost job creation.

The broad strategy of the three documents is to argue for a substantial attack on unemployment through reduced working hours and state spending. The paper on working time says that reduced weekly hours can be achieved without loss of production by restructuring of working methods and heavier embasis on automation.

Swiss bankers' code 'should become law'

BY JOHN WICKS IN ZURICH

port to the transfer of fugitive funds placed with them. from abroad, according to Mr Otto He added that Stich, Social Democratic Minister of Finance.

The minister, speaking at a meeting of regional and savings banks in ble for the financial sector, and Lucerne ot the weekend, said that corresponding foreign authorities. despite the recent rejection of the "banking motion" in a national referendum, bank secrecy must not become a carte blanche for tax eva-

We shall therefore use all means to bring about the observance of existing laws, as well as considering how loopholes can be closed," he

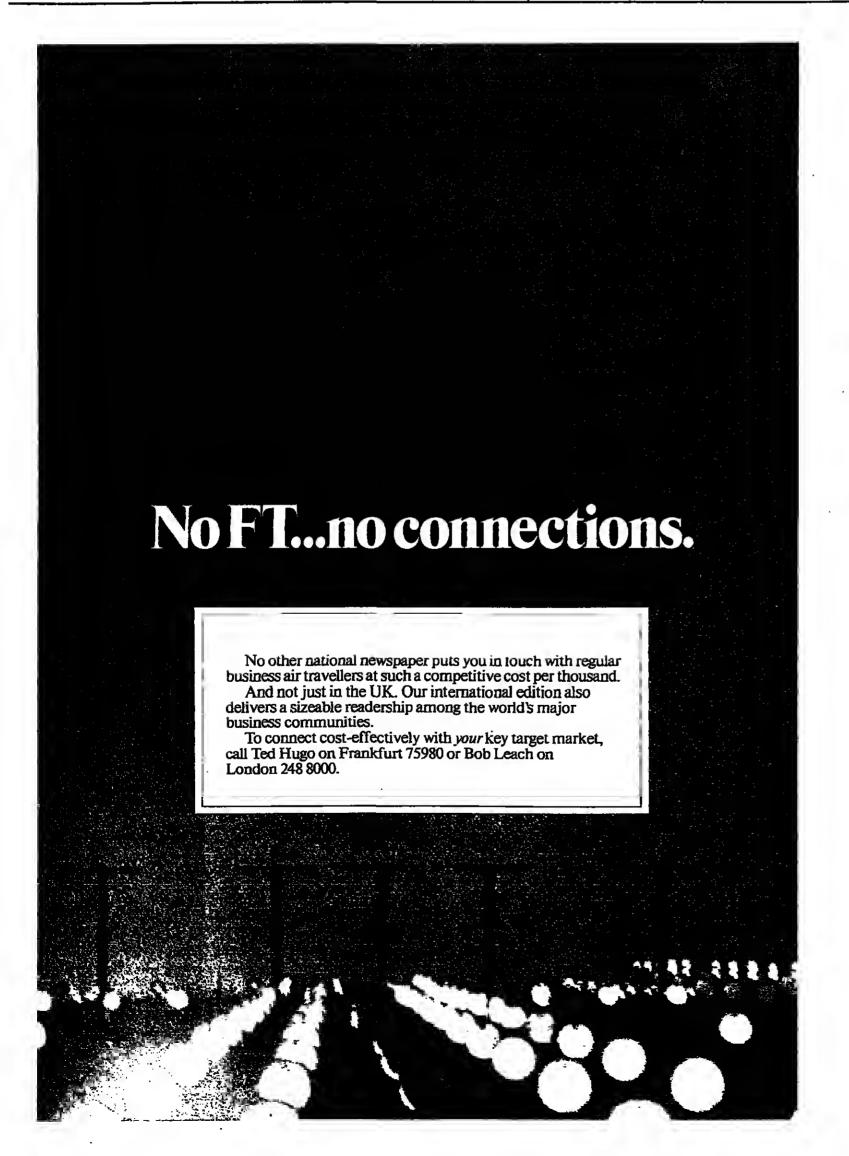
Mr Stich called for inclusion in the revised Banking Act of a code of conduct which currently forms the subject of an agreement between the Swiss Banker's Association and the Swiss National Bank, This agreement, which expires in 1987, prohibits the "active aiding and abetting of capital flight, tax evasion and similar acts," as well as

SWISS BANKS should be "categori- laying down rules by which banks cally forbidden" to give active sup- can identify the source of funds

> He added that there should be a "clarification" of the co-operation between the Swiss Banking Commission, the control body responsicorresponding foreign authorities, as well as that between the commission and the National Bunk.

Only last week, the Swiss National Bank had expressed reservations as to how well the agreement was working in stopping banks from giving active support to fugitive capital movements. It said the agreement would not be renewed and called on the banks to draw up a voluntary code of ethics.

The minister also called for u clause covering depositor protection in the revised banking act, which is currently in the process of drafting. The clause would be a flanking measure to the voluntary





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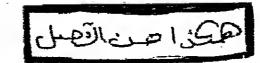
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GEC poised to win India power station deal

By John Efflott in New Delhi GEC the UK industrial conglomerate is on the brink of concluding a £150m contract to build a power station is India for Bharat Aluminium, nent owened produc-

tion company.

The Indian Government is The Indian Government is understood to have accepted an outline financial package offered by the UK which includes grants totalling almost £100m to help cover a substantial proportion of the cost of over £120m of imported

equipment.
This is the first major This is the first major power station order won in India by the UK for two years. In 1982 NEI was awarded a £230m order for a 1,000 Megawatt station on the national grid at Rihand in Uttar Pradesh by the National Thermal Power-Corporation

GEC's main competitor has ben Bharat Heavy Electrical (BHEL), India's state-owned power station contractor, which lobbies hard against orders being placed abread. BHEL put in its bid in build the 270mw station last June but was overtaken by GEC which organised a counter bid backed by the UK Gov-ermment. The fact that a sub-stantial proportion of the cost of imported equipment will be covered by grants

reduced the power of BHEL's arguments.
The Bharat Aluminium plant is part of a substantial programme in build power stations inside major indus-trial establishments to offset shortages in the country's

public grid. David Brown adds from Stockholm: A consortium of companies led by Asca and the state-wned Gotaverken Energy Systems, will divide an SKr 840m (£74m) order for a coal-fired electrical generating plant, understood to be one of the largest ever won by Swedish companies

The order, for a turnkey 108 Mw plant, has been placed by Indiar Charge Chrome Limited (RCC) which is expanding its production facilities fo strategic ferro-chrome alloy in Chondwar, South-wet of Calcutta. The sectrical plant will eliminate ICC's dependence

on outsite sources of power.

Some tanker owners see high profits in risk

THE TANKER market was given a sharp twist late last week by the hiking of hull insurance rates from 3 per cent to 7.5 per cent for the key Iranian oil terminal of Kharg Island. In the wake of a string of attacks on merchant shipping in the Gulf, business from the region has faded.

BY RAMI KHOURI IN AMMAN

JORDAN'S Red Sea port-resort of Aqaba, a transit link for imports into Iraq, is acquiring a new role as an export point for Iraq' industrial products, and now even crude oil.

The Jordanian and Iraql

Governments last week reached

formal agreement has week reached formal agreement on building a 1.030-mile pipeline from Southern Iraq to Aqaba for the export of Iraqi crude and to feed a new petroleum refinery planned for Aqaba.

Jordan will meet two-thirds of the estimated \$950m cost. Iraqi's share will be financed from oil revenues and through oil transit tolls in Jordan. The pipeline will be built by the U.S. Bechtel Corporation.

It is understood that it will

have a capacity of around 1m

barrels a day and that construc-tion will take two years. Iraq's

oil exports are presently limited to only one supply route—the

through

Shipping Report: By Andrew Fisher

Iraqi pipeline deal boosts Jordanian port

of Aqaba, which now plays a year's total imports of 6m tons

key role in the economies of were transit traffic to Iraq, and both Jordan and Iraq.

during the past year Iran has

sea, Aqaba port has grown sulphur and briskly in the oil-fuelled boom from Aqaba.

decade since 1974. It has under-gone two major expansion pro-jects since 1978, allowing it to quadruple the cargo it bas

handled to over 11m tons last

A \$60m container terminal

equipped with roll op-roll off berths, straddle carriers and

gantry cranes will comes into service later this summer, allow-

ing Aqaba to handle the huge, third generation gearless con-

tainer vessels that will dominate

containerised shipping in the

Mr Mardi Qatameen, the port director, is confident the expanded port will be able to

handle Jordanian, Iraqi and

As Jordan's only outlet to the started to export some fuel oil.

scale 35 prevailing two months ago bave been mentioned for such deals.

cently by purchasing a big tan-ker in the hope of a sudden upturn in business could now

region has faded.

There have been reports, however, of privately arranged fixtures from Kharg Island. No details are known, but rates of details are known, but rates of the control of the rewards available."

E. A. Gibson Shipbrokers satu there was "a bard core of shipnwers who are prepared to run the risk for the extremely rich rewards available." Thus any owner who gambled re-

Rates for smaller sbips of below 100,000 tonnes also jumped last week, noted Galbraith's, since they were also vulnerable to attack. Much depended on whether owners could get crews to enter the danger zone.

tons of phosphate exports are

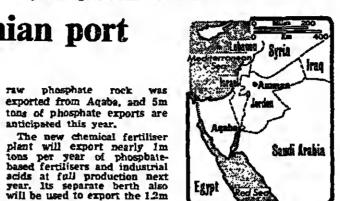
tons per year output of the Arab Potash Company, 156

anticipated this year.

rise in insurance rates, though not applying that far South, could boost overall rates by a further 10 to 15 per cent, one sald.

high risk business showing high profits, could also slow the movemant of tankers to the scrapyards. Virtually the only area of employment for VLCCs (very large crude carriers) is the Gulf.

But one tanker was said last week to be destined for the shibreakers. That was the Safina Al Arab, a recent casualty of the Gulf warfare. It has reportedly been bought for demolition in Talwan for some \$4.3m.



mercial, industrial tourist and

Future industrial schemes, such as the possible new refinery, will be bidden behind the mountains. Vehicle access to the industrial area in the south and the port will be provided by a new ring road running well away from the city centre. The attractions of The attractions of a crystal-clear sea and equable point for Jordanian products early 1960s and strictly followed temperatures cooled by a and an industrial centre. Last the growth has been both northerly breeze seem unlikely year, 3.7m tons of Jordanian orderly and balanced. Com- to be spoilt.

miles north along the shores of the Dead Sea. esidential districts are clearly The speedy development of the port has been accompanied delineated.

by a town planning effort that is something of a model for other cities in the region. Aqaba was a sleepy, sunny, picturesque fishing village of just 9,000 people in 1961. centre.

It can be used by the West Ger-mans, who are expected to be

the main customers. The Rhine-Main-Danube canal in Southern

Germany must first be com-pleted before a through-water-

will atract that much business. It will be several years before

The report maintains that during the period of voluntary restraint in the U.S. the Japanese have been breaching the spirit of the agreement with "back door" shipments via third countries such as Guam. This seems to have provided a significant cushion for U.S. dealers in Japanese products."

DRI World Autos Forecast Report for 21 countries: £900 from DRI, 30 Old Oueen Street, London SWIH 9HP.

Japanese look at local assembly for car growth

By Kenneth Gooding, Motor Industry Correspondent

ASSEMBLY outside Japan will ASSEMBLY outside Japan will provide most future expansion for Japanese car makers, according to the latest report from DRI Europe, the London-based forecasting group.

This new direction has already started. Last year Japanese exports of built-un cars rose by only 1 per cent from the 1982 level while shipments of KD (knockdown) kits for

Japanese industry will be ex-porting at least 900,000 kits a year, judging by the manufac-turers' current plans "and the figure could easily reach 1.8m."
The change has been promoted because the cost penalty of setting up local assembly plants compared with exporting from Japan has been greatly reduced. Assembly has become a capital-intensive rather than a labour-intensive process now that robots can carry out so many operations.

DRI says the great majority of the kits will be destined for the industrialised countries such as the U.S. Western European countries, South Africa and Australia. In predicts that Mazda and Mitsubishi are likely to follow Honda and

are likely to follow Honda and Nissan into local car assembly in the U.S.

The Japanese also have in mind the spread of prolectionism in the West, the report points out. DRI suggests that the current voluntary restraint agreement which in the year to next April will restrict Japanese car sales in the U.S. to 1.85m will be replaced by a "orudent marketing" agreement similar to the one between the Japanese and UK industries. This has the effect of keeping Japanese car sales in Brilain below a certain percentage of the market.

The report maintains that

New Gatt ruling more favourable to EEC

By Christian Tyler, Trade Editor

THE EUROPEAN Community has succeeded in altering the unfavourable verdict of the panel set up to adjudicate on Washington's complaints that U.S. exports of raisins and tinned fruit to Europe are unfeirly hit by Common Market production subsidies.

EEC negotiators at the General Agreement on Tariffs and Trade (Gait) in Geneva had of KD (knockdown) kits for assembly elsewhere jumped by 30 per cent.

DRI suggests that by 1990 the Japanese industry will be expected by a periodical case of Greek raisin producers had been laken into not properly been taken into

The tinned fruit dispute is the latest of a number of trade battles over agricultural products between the U.S. and the EEC, to come before the Gatt. Previous disoutes, such as those over subsidised exports of wheat flour and pasta, show that a clear-cut verdict accepted by the loser is rarely achieved.

The panel's second report excuses the arrangement made for Greek producers of dried grapes on their country's accession to the Community, and modifies its earlier judgment on canned oeaches, pears and frult cocktail.

Complaints over Swiss arms deal

SWITZERLAND'S largest arms deal, the purchase of 210 Leopard II tanks worth nearly SwFr 2.4bn (£810m) from West Germany, could be in jcopardy. Anthony McDermott writes from Geneva.

Agreement to buy them was reached in principle last August, and a further purchase of another 210 tanks is also at stake.

stake.

The Swiss Parliament is complaining about the cost of the purebase. According to the Defence Minislery in Berne, 35 of the tanks which are being bought "off the shelf" from Krauss-Maffei of Munich are about 35 per cent cheaper than those which are to be produced under licence in Switzerland.

those which are to be produced under licence in Switzerland.

The Government says however that the remaining 175 to be built under licence will ensure employment for some 1,000 workers at Buebrie-Contraves of Zurich over the next eight years.

WORLD ECONOMIC INDICATORS

Southern

		UNEMPLO	YMENT		
		Apr. '84	Mar. '84	Feb. '84	Apr. '83
UK	2000	3.108	3,143	3,186	3,170
	%	13.0	13.2	13.4	13.
U.S.	2000	8,843	8,772	8,201	11,369
	%	7.8	7.8	7.2	10.
	70	Mar. '84	Feb. '84	Jan. '84	Mar. '83
W. Germany	000s	2,393	2,537	2,539	2,387
,	%	8.9	9.4	9.4	8.
France	000s	2,247	2.258	2,252	2,017
HARE	%	9.8	7.7	9.9	2,017
Italy	0005	3,005	3.003	2,960	2,73
Italy		13.3	13.3	13.1	12.
Madeadand	%				
Netherlands	000s	835	858	663	768
	.%	14.9	15.3	15.4	13.7
Belgium	000s	574	589	602	543
	%	14.0	14.4	14.7	13.1
		Feb. '84	Jan. '84	Dec. '83	Feb. '83
Sapples .	000s	1,710	1.450	7,430	1,650
• • • •	%	2.7	2.7	2.6	2.7

Romania opens Black Sea canal

Its population has since more

than quadruoled but thanks to a city plan developed in the

BY LESLIE COLITY IN BERLIN

The new pipeline will be a other states' cargo requirements raw phosphate rock was

further fillip to the small city until at least 1995. Half of last exported from Aqaba, and 5m

during the past year Iraq has

sulphur and chemical fertilisers

Mr Qatameen's strategy fur-

ther to develop Agaba as an attractive transit point for other

nearby Arab states is based on

a combination of competitive port and land transport rates,

efficiency (there is no delay in

unloading ships at Aqaba), and

modern facilities. He expects the port to handle about 12m

Aqaba has a loog history of serving the regional interests of Middle Eastern powers, dating from the time of King

Solomon. Most notable is its recent importance as an export

tons of cargo this year.

ROMANIA has npened a \$2bn canal, which cuts the passage from the River Danube to the Black Sea by 230 miles and is designed to attract shipping from Western Europe to the

Middle East.

President Nicolae Ceausescu inaugurated the 40 mile-long canal, which was begun in 1949 and employed some 60,000 forced labourers, of whom thousands died before it was abandoned in 1953. Work resumed in 1976 in what was proclaimed Romania's largest proclaimed Romania'a largest investment project.

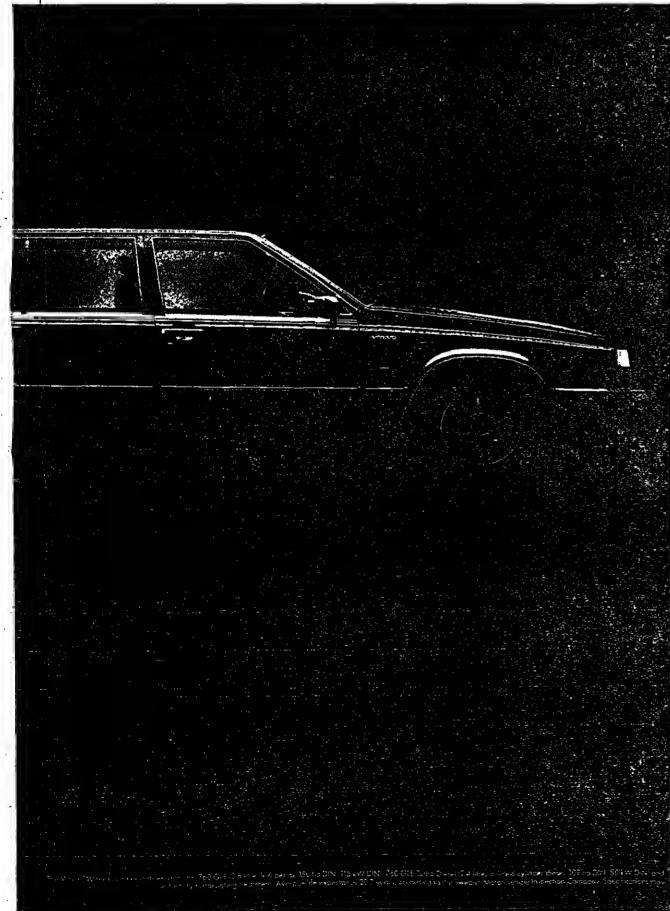
voda to Constanta on the Black shipping operators doubt that it Sea and has three new inland ports along its length, as well as a new seaport, Constanta Sud, which will be able to handle 150,000 tonne dwt bulk carriers. Goods are to be trans-

shipped at Constanta Sud from 5,000 tonne cargo vessels, which the canal can handle.

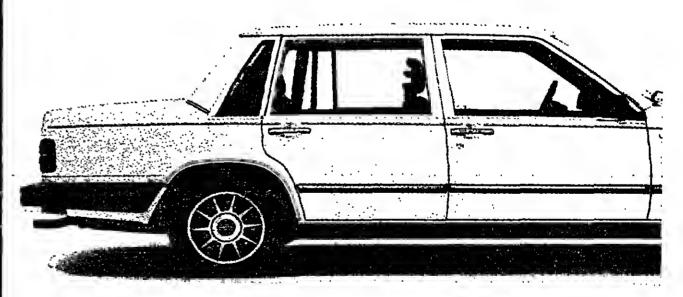
Under a new law, foreign companies will be able to rent better warehouses and other rocusands died before it berths, warehouses and other ras abandoned in 1953. Work facilities at the new seaport. Sales for use of the canal are roclaimed Romania's largest avestment project.

The canal runs from Cerna- of freight a year but Western

way will exist from the North Sea to the Black Sea. The plan for the canal envisages the creation of new industries along the waterway and the Irrigation of millions of bectares of farmland in the arid



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Team to seek more exports to Italy

By Tim Dickson

FIVE BRITISH businessmen from small- and medium-sized companies will next week spearhead a drive to improve exports to Italy. They are members of a "market investigation" mission, to be headed by Lord Jellicoe, chairman of the British Overseas Trade Board.

The board says excellent opportunities exist in Italy. At the moment however, it is badly neglected with the balance of trade in Italy's fayour, particularly in food and consumer goods. It notes: "The market is open, relatively close, wealthy, and part of the European community. At 4 per cent, the UK share is pitifully low."

Members of the British group work at the "sharp end" of export ing. They will be examining what the trade board calls the traditional hut often exaggerated, problems of

Several of the "opportunity areas" - consumer goods such as food, beer cars and do-it-yourself equipment, computers, electronic components and equipment, medical and scientific instruments, and security equipment - will be wagen. He is full of energy and covered by Lord Jellicoe's team.

John Lloyd describes the motivation of the men in dispute with the National Coal Board

Faith, pride and militancy of the striking miners

they are not), Mr Ian MacGregor, chairman of the Notional Coal Board (NCB), and Mr Arthur Scar-gill, president of the National Union of Mineworkers (NUM), will find it hard to accommodate each other when they or their proxies get down to talking this week in an attempt to settle the 11-week-old pit strike.

Mr MacGregor must staunch his losses and please the Prime Minister. Mr Scargill must satisfy his supporters - which will be terribly

All up and down the British coalfields are men whose job forces them to rely on each other. They have constructed networks of support and action during the dispute which have now gained a momentum of their own. They have returned instinctively to the trade union practices of a century ago in their organisation of self-help schemes and charitable ventures. and in their creation of at least a local climate of approval for their

Take Mr John McCalpine, chairman of the strike committee at his life. Arthur Scargill is a miner, Oakley, a village in the Fife coal-field in Scotland where the miners miner, he acts as a miner, I fear make up 40 per cent of the working male population and work in pits nearby like Bogside and Comrie. Mr McCalpine is small, stocky, in his forties, with grey thinning hair; he smokes hand-rolled cigarettes and drives an eight-year-old Volks-

When men like Mr McCalnine organise jumble sales to raise funds, they out-jumble the acknowledged mistresses of the art among rural Conservative chairwomen or inner city do-gooders. They grah it in by the sackload and shunt it round in vans from hall to hall until it all

goes, and then they get some more. When their memhers face financial problems, they make deals with the Fife County Council which defers rent on the council houses most of them live in.

When reporters from London papers talk to them, they say at the end of the interview: "I don't want to annoy you, but you had a good interview so what about a contribu-tion to the miners' fund." Then they offer a receipt. Mr McCalpine and his fellow

strike committee members, like Mr John McDonald and Mr Willie Telford, have faith, pride and militancy: a formidable triptych of qualities. You can move governments with them: or so they believe.
Faith. Mr McCalpine says: "Arthur Scargill has never told a lie in

miner, he acts as a miner, I fear nothing from the talks which they'll have because I know they won't let us down. They are 100 per cent." There is general agreement. Their president (70 per cent of the vote in the presidential election only two years ago) has committed himself fully to fight for their jobs.

ster's History of the Fife Coalfields, groups," says Mr McCulloch. Mr Mr Jim McCulloch, of the Nacods

TALKS will be held this week between the National Coal Board and the Notional Union of Mineworkers, but miners' leaders said yesterday that they did not expect a quick settlement to the dispute over pit closures.

Attempts by the union to stop production at the British Steel plant at Scunthorpe, Humber-side, suffered a further setback yesterday when 6,000 tonnes of Polish coal arrived at the steel-

(overseers) branch of the union. speaks of Mr MacGregor. "It's not the man, it's the policies. The policies would have caused a strike sooner or later."

"His style hasn't helped," says Mr McDonald. "Up to this point in time we've had men come up through the ranks. What does he know?" The faith is born not just from

trust of Mr Scargill and mistrust of Mr MacGregor but from a belief that only a strong position, a strong stand, can save them. "Scotland is a marginal field, MacGregor says," says Mr McCalpine, "And he wants to close down all marginal fields. They've shut five or six pits in Scotland in the past three years, and we should have stopped that. But now

Pride. What other group of work-

and Behind the Diamond Panes. McCalpine adds: "For every one which tells some of the story of the File miners and how until the 19th century they were in effect seris. The men were given collars and the women braceless to mark them as the coal owners' property. They could be, and were, hunted and re-

turned if they deserted their pit. The Fife coalfields in the early and mid 20th century produced a remarkable efflorescence of left-wing political culture. Communism was commant - West Fife supported a Communist MP in Willie Gallagher for 15 years - but there was Trouskyism, anarchism and every known branch of left-wing social-

Oakley, says Mr McCalpine, had the higgest ironworks in western Europe in the 19th century, fed by Oakley miners working a mine which drifted into the outcrops of coal ail around the viliage. "There's coal ali about," says Mr McCulloch. "We know where it is, it's been worked here for centuries, the monks used to work it. There's still

plenty."
Militancy. Across from the ball where the strike committee has its headquarters, a police car sits much of the time. When miners get into their rented minibus and drive west out of the village, they say that a police car stops them before they have moved a mile.

There's quiet lads in this village ers know so much about itself? Min- now hate the police and are thinkers refer you to books, like Web- ing of joining revolutionary

man that got arrested there's 15 in his family or who know him that are now against the police."

Those miners who work at Bogside have, theoretically, no pit to go hack to: The coal board has said that it will remain closed because it was partially flooded during the overtime ban before the strike. Mr McCalpine insists that its reopening will be part of the negotiations to return to work. On the national level, he insists that the withdrawal of the NCB's closure programme and its replacement with an expansion programme is a prerequisite to a settlement.

They are certain of their own militancy. They are, after all, sup-ported by local MPs like Mr Dick Douglas and Dr Gordon Brown, they are given money and supplies hy local workforces like the Rosvth dockers. The Scottish press, traditionally more centrist than the Lonoon newspapers, has been less par-tisan against them. They are fighting, not for money, but for jobs

jobs for themselves and their sons. Mr McCalpine thinks that is why the women of the village have become as involved as they have. "In 1972 and 1974 it was about money Now it's about the whole communi ty - if we fail, it goes - the women understand that.

Faith, pride and militancy. The greatest of these among men like the Oakley strike committee is faith in themselves and their leaders, es-

Exchange deals to be confirmed electronically

BY ALAN CANE ELECTRONIC messages between London foreign exchange and currency deposit brokers and the Netmux, an as yet unannounced

replace the present manual Brokers' Association will launch its £1,100. automated confirmation service Beeline message switch, devised (ACS) with the co-operation of more by Computer and Systems Engi-

pean and U.S. banks, and with the hlessing of the Bank of England, the central bank. It will use several technologies pioneered or developed in the UK. ACS is the result of three years' work by the association to find a replacement for hand-delivered confirmations which, the association says, are "a cause of concern to both

bankers and brokers. They are potentially inaccurate, slow and expose banks and brokers to unnecessary risks.

confirmations allow banks to elimi-

banks' world-wide messaging sys- it can be retrieved using n desk to tem, and uses codes and message computer. formats in the Swift style. It utilises

banks confirming deals worth up to
S80hn on an average day will soon lows a number of banks to have
replace the present manual necess to Parket Switchstream through a special unit in a local Early next year, Britain's Foreign telephone exchange for only C750 a

than 130 London banks, including neering of Watford, which stores virtually all major British, Euro- the confirmation messages prepared by a broker through the day and despatches them over the Switchstream network to their destination at the most appropriate

• BT's "Gold" electronic mail ser

ACS was designed by Hoskyns, the UK-based computer services company which is now part of the U.S. Martin Marietta group, at a cost of nearly £200,000.

o unnecessary risks.

According to Mr Michael Knowlconfirmation by telex has also es of hroker M.W. Marshall, chairprovan unsatisfactory. "Neither teman of FECDBA, brokers might lex deal-checks nor hand-delivered confirm up to 50,000 deals with the banks on an average day. Using nate the time-consuming process of ACS, confirmatory messages will manual checks by introducing auto-either be printed out on the banks mated reconciliation," the associn- own printers, fed directly into their ACS is similar to Swift, the in their Gold "mailbox", from where

Case, a fast growing UK data four very recent electronics tech- communications company, last week completed its purchase of Rix-Packet Switchstream, British Te- on of the U.S. for £22.7m. The whollecom's new data network which ally owned subsidiary will be called lows fast and cheap transmission of Case-Rixon.

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Minet claims former staff misused funds

by the former executives.

series of arrangements whereby premiums from the syndcates; money was channelled out of insur- Another Gibraltar comp ance syndicates managed by a maintained two other yahis - the group underwriting agency compa- Nerine 1 and N2, which were used ny, PCW Underwriting Agencies, to by Mr Cameron-Webb. The total net more than 150 companies or trusts operating costs of the Neine 1 and in at least seven different countries. N2 were £235,760:

ceive improper personal benefit."
In its allegations PCW has said that Mr Peter Dixon and Mr Peter Cameron-Webb, both former PCW executives, owned a Hawker Siddeley HS 125 executive jet, registra-tion number G-Ayer, through a Gib-raltar company. The jet was operat-ed through another Gibraltar com-pany and the total running expenses paid out on the jet totalled £244,413. Charter fees totalled £156,314. The operating company was funded by money from the reinsurance" premiums paid out

by the syndicates. The PCW underwriting agency • An investment of \$100,000 was will lead to the payment of £3.9m, made in International Reporting which has been allegelly misap-

FUNDS belonging to more than was made with a view ti consultan-1,100 members of the Lloyd's insurance market, it has been alleged,
were secretly used to finance the
purchase and maintenance of be the underwriter of the political yachts, an executive jet, two race-horse syndicates in Kentucky and a Iris, which failed in 1983.

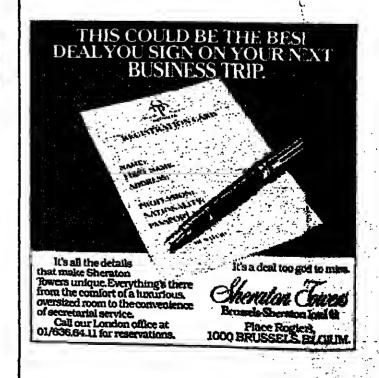
variety of other investments by former executives of Minet Holdings.

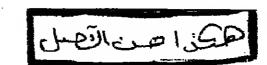
The allegations are contained in ecutive at PCW in two raceborse civil proceedings which were start-syndicates in Kentucky Six horses ed at the end of 1982 by Minet Hold-were included in the syndicates; ings agency in an effort to recover • Mr Dixon used £358,00, PCW al-£38.9m of funds, which Minet had leges, to buy the yacht "Aile alleged had been misappropriated Blanche." Total operating costs of £270,387 were funded by Gibraltar Minet has uncovered a complex companies receiving rinsurance

PCW has alleged that the money • The sum of £1,145 was paid out was channelled ont of the syndion of a Gihraltar company onbehalf of was channelled ont of the syndicates in the form of reinsurance Mr Cameron-Webh in July 1981. which allowed former directors of This, PCW alleges, related to exthe PCW underwriting agency and penditure incurred by Mr Cumeron-an associate company, WMD, to "re- Wehh on a dinner party given in

America. Numerous loans have also been advanced and repayed to a valiety of interests, including n small tagineering company. Some £464.90 of funds, it is alleged, were also sed to help former executives buy 40 per cent stake in an associateunderwriting agency, WMD.

Over the weekend, Minet and the Richard Beckett Understiting Agency, the renamed PCW spency company, told underwriting members that they stood to lose \$7.9m in the course of their trading at Lloyd's. But they were told that an offer will be made to them which will lead to the payment of £3.9m. Systems (Iris Washington), the propriated This amount could be Washington-hased private intelliused to meet the underwiting gence organisation. The payment losses.





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Call for new N-plants to be UK-designed Lear Fan plants

BY DAVID FISHLOCK, SCIENCE EDITOR

al meneral at the one entering

tion should use the UK-designed during the last two years puts them advance gas-cooled reactor (AGR) among the best reactors interna-regardless of the outcome of the tionally. Sizewell public inquiry, one of the country's electricity chiefs will tell city last year came from nuclear the inquiry next month.

provide cheaper electricity than the reactor. "British" pressurised water reactor (PWR) planned by the Central Electricity Generating Board for Size- the estimates for the Sizewell B well on the east coast of England.

In a statement on AGR merits requested by Sir Frank Layfield, the SSEB directors say their esti-Sizewell inspector. Mr Miller and mates are fully supported by CEGB Dr Tony Pexton, the SSEB's direc- experience with its operating AGRs tor of engineering, say that Brit-ain's first four AGR's are now per-under construction at Heyshem.

BRITAIN'S next nuclear power sta- forming well. Their performance

About 35 per cent of SSEB electrireactors, mostly from its two AGRs. Mr Donald Miller, chairman of SSEB estimates based on experi-the South of Scotland Electricity ence with its Hunterston B station Board, believes that conservation of and four years of construction of its

> could be marginally cheaper than PWR put by the CEGB to the public

Power from a new AGR station

bas urged Britain to continue with the AGR as Europe's "only proved non-water alternative" to the PWR.

The committee found that Europe's beavy dependence on PWRs could prove embarrassing for nuclear power if the system develops the AGR technology should be the overriding national priority.

He claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as short as any other type of the claims that a new AGR could least as the claim that the claims that a new A

ing director of the National Nuclear Corporation which builds Britain's reactors, told the British Nuclear Energy Society this month that if a PWR was built at Sizewell the chances of building another AGR station would have weakend very substantially as skilled teams and manufacturing facilities are dis-

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the summer resort area at Bagnell Dam.

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4

from every corner of the continent.

maybe for you.

to wither, or not having a PWR.

British PWR began with a state-ment by a former CEGB chairman in 1973 that, so great were the probprogramme was "a disaster which must not be repeated."

The SSEB believes that Sir Frank Layfield is now seeking a second npininn on AGR perfor-mance to the one submitted by the CEGB at the start of his inquiry in January, 1983.

The main new factor in AGR per- by 5 per cent in each case.

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A report on energy strategy by of the very small number of new formance supporting the SSEB arthe House of Lords select commit-tee on the European Communities ain for the next decade, a choice Hunterston and Hinkley with on-

> The SSEB sees the dramatic de- crucial factor in giving the AGR the cline in UK electricity growth as edge over its U.S. rivals on paper in the "absolutely crucial factor" in fe-vour of the AGR. The road which was forbidden for safety reasons

> > output, but its biggest advantage is to go into production for the late 1980s, are expected to cut fuel costs

must be made "between baving a load refuelling in the past two PWR and allowing the AGR option years, Mr Miller says. Although this practice was the

led to the Sizewell inquiry into a until 1952. Using modifications approved by the nuclear inspectors, the AGRs are now being refuelled at about 30 per cent of power output lems of building AGRs, the AGR and are confidently expected to gn to much higher power levels. On-load refuelling increases the

> the extended life of the reactor. Twn advances in AGR fuel, nne being introduced now and the other

threatened

The 380 workers in two plants near Belfast are already on a two-

Two weeks ago, the company announced a new schedule which means that a vital airworthiness be secured until February 15 next

year. Senior management at Reno, Ne-

TVR sets up new U.S. sales network

By John Griffiths

TVR, the sports car maker based at Blackpool in north-west England, has set up new distribution arrangements in the U.S., where it expects to sell 300 cars - 60 per cent of

Less than \$25m remains from the
Less than \$25m remains from the
The U.S. importing organisation,
TVR of America, is based in Jacksonville, Florida, Mr David Beasley, former president of Volvo in North

America, is chief executive. The new distribution contract was signed in January after TVR's decision to terminate arrangements with Mr Peter Bircumshaw, a Cana-

dian-based importer, last year. TVR re-entered the U.S. market last June, baving been excluded since the late 1970s by legislative requirements until its latest car, the Tasmin, was developed. However, the import arrangements lasted only four months before TVR terminated the contract. Only 60 cars had

been sold. About 120 cars bave already been sold through the new distributors, who have so far set up 10 out of 20 planned U.S. dealerships, all on the

East Coast.

The remainder of this year's planned output of 500 cars will be

sold mainly in the UK. Output at the Blackpool plant, which employs 100, is the highest achieved by the company.

Record German exports to UK of quality wine

By Lisa Wood

ONE THIRD of West German wine exports are now to the UK, according to the German Wine Institute.
The institute said that exports to Britain last year of quality German wines, as distinct from wines used in EEC blends, were a record 55.1m litres, compared with 48.4m litres in

"British wine drinkers are consuming lighter and whiter wines," said a spokeswoman for the insti-

Britons drink four times as much wine as they did 10 years ago and consumption rose more than 12 per during the past year and had to dig into their financial reserves to survive.

cent last year. An estimated 69 per cent of that wine is white, compared with 60 per cent in 1980.

with shutdown

BY OUR BELFAST CORRESPONDENT

SPECULATION is growing that vada, are due to announce this Lear Fan, the UK Government-backed aircraft company, will this meantime with the Northern Ireweek announce the temporary clo- land labour force. sure of its Northern Ireland factories because of serious delays in the

day week because of delays caused by the discovery of structural faults during tests on the carbon fibre aircraft in the U.S.

Move to stop £3bn Co-op merger fails

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

AN ATTEMPT to kill off the pro- lution to block the merger stated posed £3bn merger of the two largest co-operative groups in Britain was defeated yesterday after an extended secret session of the Co-op-erative Congress meeting in Black-

Delegates to the congress, the Coop movement's annual parliament, were critical of the failure to bring about the crucial merger of the Conperative Wholesale Society (CWS) and the Co-operative Retail Services (CRS), the largest retail Co-op.

The merger was aimed at making the Co-op retail movement a more effective force in the face of tough competition from chains such as Tesco, J. Sainsbury, and Marks & Proposals to merge the CWS, which has a turnover of more than

2bn a year, with the £1bn a year sales of the CRS, were first announced at the congress two years Yesterday's debate was held in secret session, so that delegates could speak freely about the growing frustration of the 130 retail so-

cieties' attempts to restore their flagging fortunes in the fiercely

that "much time and effort is being spent on an issue to which there appears to be no solution, at a time when the problems of the movement are still growing. Supporters of the merger are un-

\$90m raised under a re-financing in

1982 when a Saudi Arabian consor-

The most likely option is thought to be the mothballing of production

facilities until the aircraft is ready.

This would involve large-scale re-dundancies because only essential

management and engineering func-

The British Government has committed £50m since 1980 to help

to establish an industry that pro-mises to empiny up to 2,800 people.

tinns would be retained.

tium took a majority interest.

derstood to have argued that bringing the two major groupings together was the best way of unifying the diverse Co-op retail movement. They pointed out that considerable measures bad already been taken to merge some strategic and admin-istrative functions of the two orga-

Delegates' fears over the trading problems of the Co-op retail societies were reflected in another resolution, also debated in secret, calling for an "urgent assessment of the financial stability of the Co-op retail movement over the next two years." A report is to be prepared in

time for the congress next year. The plight of many of the 130 Co-op societies in dealing with the competitive retail environment was also highlighted. More than half of societies reported a trading loss competitive retail world. The reso- vive.

Industry apathetic towards 'mission to communicate'

AN AMBITIOUS attempt to promote better employee communications and involvement in company affairs across most industrial sectors has run up against apathy, delay, indifference and downright hostility - and those responses come from the sectors "reporting

The initiative was launched in 1981 by the National Economic Development Council (NEDC). It fol- 84 when 19 ambassadors covered 13 lowed a council discussion on bow communications within companies could be improved and no how the results of the work of the various economic development councils and sector working groups could be made more widely known below senior management and union official

Mr John Cassels, the NEDC's director general, in a paper summar-ising the results for the June meet-ing of the council, signals that its work in this area has reached its effective limit unless the main representative bodies of industry's two sides - the Confederation of British Industry and the Trades Union Congress - recognise that "the responsibility for advancing this work rests fundamentally" with them.

The NEDC tripartite steering group set up to co-ordinate the initiative works through management and union contacts in companies and is highly dependent on established structures and on personal

Where the group believes that

the company and the industry.

The costs of this programme, dustrial sectors, to £144,000 in 1983-

charts a very mixed reception, at general applications. These are: best, to the NEDC's mission to communicate. The picture, with the exception of the clothing, cotton and textiles and footwear industry where the ambassador concept was pioneered - is one of considerable reluctance to respond to a project obviously seen by many as interfer-

ing and time-wasting.
In the successful sectors a good deal of work in formalising communications and in adopting suggestions has been done. In cotton and allied textiles - where an ambassador was appointed as early as 1979 and "factory development councils" established in 30 plants in the same year - savings have been identified where agreed ideas have been introduced, work conditions bave been improved and changes made in work patterns.

This appears to be exceptional. More often, attempts to encourage communications met hostility from both sides - as in the sectors for die-

active intervention, it appoints an sels, electronic capital equipment "ambassador" to liaise with man- and mechanical handling - or found agement and union representatives no formal mechanisms with which to encourage them to set up formal to work - as in construction, steel machinery for joint discussions on work, distributive trades, gauge and tools and mining machinery.

Often, unions were weak or nonwhile still modest, have risen sharpexistent, presenting difficulties for ly from £49,000 in 1981-82, when a tripartite approach. Elsewhere, as five ambassadors covered five in- in food and drink, the NEDC found difficulty in identifying companies willing to support the initiative.

rectors. The paper comments that two of The industry by industry analysis the difficulties found in the mefrom the development councils chanical handling sector may bave

 "Several managements held the view that a good union was a passive union and saw a potential threat in awakening employees interests in the company. In a few cases they refused to let the ambassador make contact with union representatives."

 "At several companies, union representatives mentioned their isolation from the union bierarchy."

These problems were all encoun-tered in the 21 sectors where some progress had been made. The paper also lists a further six still "at the planning stage" and 11 where "no significant progress has been

The last group includes the building sector - construction is generally resistant to formal or informal communication mechanisms where the project "got a hostile nception from management with lukewarm support from unions."

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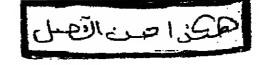
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UK NEWS

Anthony Moreton examines a Scottish manufacturer's move into U.S. production

Dawson buys growth, not glamour

AT FIRST sight the decision by Dawson International to buy J. E. Morgan Knitting Mills, the leading American manufacturer of thermal underwear, for £30m seems a qui-

Scottish manufacturer of some of the finest knitwear in the world, with cames such as Pringle, Glad-

stone, Barrie, Ballantyne, Braemar und McGeorge in its stable. Morgan Knitting Mills is far removed from the conservative glamour of Pringle and Barrie. It is a one-man band beaded by 73 year old Mr John Morgan, and is consmall range of baby wear und lei-sure wear. The company was founded in 1945 by Mr Morgan and employs about 1,000 people in a number of factories around Hometown, Pennsylvania.

It is, however, a very strongly based company, with a third of the U.S. market for its products. Its customers include many of the triple A-rated names, led by the U.S. Government and including K-Mart,

Sears Roebuck, J. C. Penney and Woolworth, These generated strong cash flow last year, with pretax profits of \$9.4m on turnover of \$43.4m.

aims. "It does not provide us with a glamorous product, but the company bas a good history of providing rising sales and profits and has a superb one flow plant at Home-

"Although the company depends heavily on thermal underwear at the moment, from which it derives 85 per cent of its turnover it also has the capacity to get into the highly profitable and rapidly ex-panding leisure wear market, where there is real growth."

Since taking over as chairman in 1983 Mr Miller has put a new em-phasis on the company's strategy. While staying in textiles, he wants to see the Kinross-based concern develop organically, strengthening its base by selective acquisitions in the major world economies, giving

Dawson production bases in countries with sound, growth-based

The first step along this path was S43.4m.

Mr Ronald Miller, chairman of of KSW of Wilhelmshaven for £7m.

Dawson, says Morgan fits in nicely although relatively small, KSW has with the Scottish manufacturer's a strong brand name in its portfolio — Hubner Wolle — and is one of the hand-knitting largest spinners of hand-knitting yarn in West German.

America was a legical progres-sion, and Dawson decided to "trawl" through the U.S., looking at more than 300 companies, Morgan Knit-ting came to its attention in a roundabout way wheo a New York broker mentioned the company's name to Dawson. As part of the process of estab-

lishing a foothold in the U.S. Dawson bad already recruited a top ex-ecutive, Mr Philip Kemp, who will become chief executive of Morgan Knitting.

The Morgan deal is important because Mr Miller likes the look of America. This gives us a bridge-head into the States. We want to look at the market much more

the way we shall go." Those who want to see Dawson indulge in more takeovers in the U.S. will be disappointed if they expect quick actions. Exercising his native caution, Mr Miller says: We are now on a learning curve in America. We shall thoroughly digest what we bave before deciding to branch out further."

Mr Morgan welcomed the approach from the Scottish group - he had no obvious heir to whom to hand over and was keen to divest himself of active management. As a production man he bad built a very sound manufacturing unit but his marketing skills were far less in ev-

His products lack Pringle's design flair and their general presen-tation was insipid, unusual in America where marketing is so ad-

Potential for expanding the mar-ket in the U.S. is obvious. Pringle has ample reserves to underwrite with this move."

closely and see where we might go such a move since it is cash-rich from here. Morgan is a speciality and has financed the whole of the company and so are we, so that is acquisition on a share exchange and borrowing basis.

But perhaps the real potential in Morgan Knitting lies in its ability to easily eoter the leisure-wear mar-ket. This is the area of greatest growth in sales of clothes - ano-

Morgan has installed the most modern machinery, and now has 360 circular knitting machines and a policy, according to Mr Morgan, of "ultimately replacing all its older equipment with more efficient and productive machinery.

Moving into leisure-wear would sales season for thermal underwear, followed by stockpiling the rest of the year.

"We want to be bigger in the U.S.," Mr Miller says, "and the best way to do this is to have a strong in accordance with the plan out base there. Morgan has giveo us that base and we are very pleased

Financial Year 1983

SOCIETE GENERALE BELGIQUE

MAINTENANCE OF NET DIVIDEND OF BF 90

RESERVES OF BF 163 MILLION

CAPITAL AND RESERVES AS AT DECEMBER 31 1983: BF 34,787 MILLION

The General Meeting of Shareholders held on 2nd May 1984 approved the Accounts for the year ended 31st December 1983. A net dividend of BF 90 on each of the 10,878,613 shares existing before the capital increase of November 1983 became payable on May 8 1984.

In the Annual Report, the Directors draw the attention to the iotense activity, in 1983, in the financial markets in Belgium, particularly in the realm of right tenure.

rights issues.

The Société Générale played a leading role lo this development;

lined in last year's report, it launched a major capital increase in November and raised BF 5.5 billion through a now

This capital increase has brought about an improvement in the financial structure of the to the mancial structure of the Company. The ratio of own funds to fixed assets and investment holdings rose from 69% to 52% notwithstanding an increase of 9% in investment holdings.

After an analysis of the economic background and of the conjunctural evolution in the industrialised countries in 1983, the Annual Report proceeds to a review of the various companies comprising the Group, among which the Nouvelle Union Minière which continued the

implementation of its interna-The principal activities launched by the other companies of the Group (Sofina, Tanks, Genstar, Société Géoérale de Banque, Tractionel, Electrobel, Sibéka, BN, FN, Carbochim, FRB, CBR, CFE, Arbed, Sidmar, CMB) are detailed in this Report.

This report is now available from Société Générale de Beigique, Information Department, rue Royale 30, B—1000 Brussels (Belgium), tel: 2/517-16-76, as well as from Banque Belge Limited, 4 Bishopsgate, London EC2N 4AD, tel: 01-253 1080.

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Channel 4 to invest in co-productions

BY RAYMOND SNODDY

CHANNEL 4, Britain's newest independent television network, has launched a series of co-financing programme deals with major European television companies. The company is investing up to 30 per cent of the production costs of programmes made in France or Italy in return for similar reciprocal investment in Channel 4 production.

Under the plan, which began earlier this year, Channel 4 is involved in three deals with RAI, the main Italian network, and two produc-tions by Antenne 2, the leading French television channel.

leading European televisioo ehannels. The aim, according to Mr Justin Dukes, managing director, is to increase the diversity of quality international material available to the channel by helping in reduce

He said the method would help to avoid hland "mid-Atlantic" co-productions, and hopes to establish

In the latest ratings surveys, Channel 4 took nearly 7 per cent of the UK audience. It is also looking French television channel.

The company envisages rolling grammes for cable and satellite three-year investment plans with

Residual oil converted to gas in experiment

BY DAVID FISHLOCK, SCIENCE EDITOR

MORE THAN 160 TONNES of resi- continuously converts the oil to a dual oil - the bottom of the barrel hydrogen-rich gas which is readily - has been converted to natural gas upgraded to the quality of natural successfully in a £9m Anglo-Japa- ges. nese demonstration of a new Brit- A ish technique for making substitute Solihull gives the collaborating natural gas, British Gas says.

The demonstration, with experi-mental equipment in Britain and up to commercial sizes. Japan, has been co-funded by Osa-ka Gas Company and the EEC, which between them contributed

The almost solid oil residue from refineries has been gasified in a fluidised bed of coke particles at high temperature and pressure.

British Gas researchers at the Midland Research Station, Solibull, have built a chemical reactor 25 cm diameter.

A parallel demonstration near companies confidence that the flui dised bed hydrogenator will scale

This is a model reactor, 22m tall and L5m in diameter, designed to demonstrate the behaviour of the process in deep fluidised beds with-

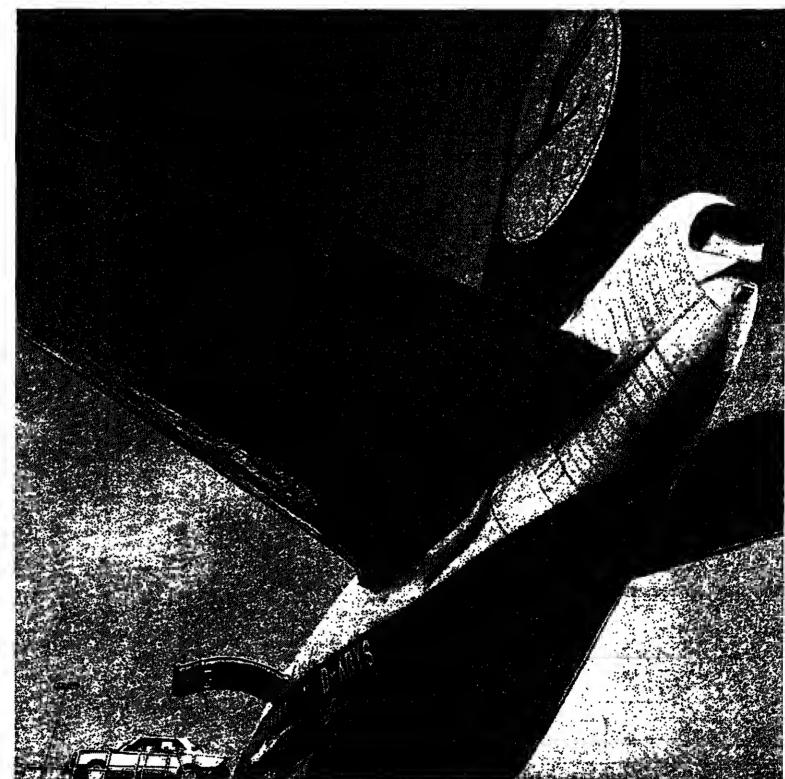
out actually converting oil.

Continuous "dry runs" of several days on the model have coovinced the two companies that the process could be operated successfully on commercial reactors as big as 3m in

Osaka Gas has also been running io diameter, which they feed with the atomised oil and hydrogen gas. The bubbling hed of red-hot coke

Osaka Gas has also been running the process on a semi-commercial plant with a reactor 1m in diameter.

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The small retailer

A hazardous occupation

WHEN John White took over The sharp fall in numbers of the stock sold. He never the village shop in Wormelow, agricultural workers has had recovered.

Herefordshire, he was told by a a dramatic impact on trade. The idylic dream of owning personable young salesman that out a stock of bootlaces,

"I bought £100 worth," says White, "received a radio alarm tial changes in population mix, clock as a reward from a grate- as the wealthy and mobile have ful salesman and waited for moved to homes in the country. trade to your in.

"At the end of a year the clock no longer worked and I had sold just £10 of bootlaces. leaving another mine years to get the rest of my money back." White, like many others going into business on their own account, had to learn quickly from his mistakes. The average survival time of a village shopkeeper going into business for the first time is around two

In the event John White spent four years of hard work and low returns running his store; but at least be survived. He is now retail officer for the Government-funded Council for Small Industries in Rural Areas advising other village shop-keepers how to remain solvent and avoid failing foul of per-suasive bootlace salesmen.

"The first thing we tell retiring doctors, lawyers and redundant steelworkers seeking a new life running a villaga shop is not to do it," says White.
"Many will end up losing their
money. Few will do little more
than just scrape e living."

An average village shop might expect to turn over around £60,000 a year, according to White. "On this basis, and allowing for a profit margin of about 16 per cent gross profits might be around £9.600. "Out of this will have to come

rent or mortgage repayments. transport costs, pay for relief staff, rates, beating, lighting, phone bills, plus other charges such as cost of theft or advertising. After all this a shopkeeper will be lucky to achieve net profits of a couple of hundred pounds.

"Cost of local authority rates, electricity and other services are higher because they are connected to a business pre-mises even though a large proportion of the charges may

CoSIRA estimates that during the next five years at least half of the 12,000 village shops in England will have been forced to close at one time or another some will never re-open, say the council.



"Packet of tea, tin of baked beans and have you any of those silicon chips the kids like?"

"The changing pattern of rural life means that village stores must adapt if they are to survive. The emphasis must to survive. The emphasis must be on quality and service, says White. "The delicatessen counter is a good way to com-pete with supermarkets. Pro-docts sold here often command better margins than staples which supermarkets, with their bulk-buying capacity, can sell

more cheaply." White, however, advises shopkeepers to research local markets carefully unless they want to end up with products that do little more than keep

shelves warm.

Bill Booth, general secretary
of the Nottingham - based
National Association of Shopkeepers, says: "The problem is that we are asking people to behave like sophisticated retailers when many of them have no previous business

experience.
"Maintaining a good cash relate to living accommodation flow is vital. The classic error above or at the rear of the shon."

"Maintaining a good can relate to living accommodation is to keep raiding the till until there is nothing left with which

> Tales of disaster are legion. One shopkeeper was so overcome by his first week's takings of £1,000 that he blue the lot getting that he had to replace

The idyllic dream of owning Villages, particularly those in a business can start beading the south, within commuting towards disaster even before distance of major cities and trading starts. "Too many towns, have also seen substanof running a small shop," says John Sutton, a former bank manager who is now a business

consultant with wide experience of running small shops and finance director of a timber

off under-capitalised. It can take several years of bard work before a shop will do much
more than break even. Without
sufficient capital behind tt a
store can quickly fail." says
the changes are needed "to

"A typical loan might also

cover only 50 or 60 per cent of purchase price excluding stock." says Sutton.

John White argues that there is much the ehopkeepers can do to help himself. Strict financial controls and diligent book-keep ing are essential, he says. Shop-keepers can also band together to improve their purchasing

power from suppliers. "Bot even if they do all of these things some will still find it very difficult to make ends meet, he says. "Another source of income, possibly by acting as a sub-post office, may be

"One village shopkeeper I know started a successful second business curing bacon from local farms which he then sold to other village shopkeepers. If be bad not had this second string to his bow he might not have survived.

"The finances of village shop-keeping are such that many of se now starting out will not

"To avoid failure will require a lot of hard work, enter-prise, skill and most of all the goodwill of customers who, if they want to keep a shop in their village, must remember to patronise it at times other than when they run out of frozen peas or a bottle of milk."

Rising cost of a guarantee

December 31, will have to fund higher interest payments interest charged by the lender, and may find the banks more reluctant to lend than before.

There was considerable relief among bankers and lobbyists that the three-year-old experiment is not to be abandoned completely when the present pilot scheme runs out on Thursday, as well as some satis-faction among backbench Tory treatment company in Market MPs, who had run a local cam-Harborough, Leicestershire. He is also a member of the national executive of the National Association of Shopkeepers. Too many businesses start under-capitalised. It can down" to the more bitter observation that it has now

THE GOVERNMENT'S Loan Trade and Industry to cover National Westminster at the Guarantee Scheme was given a losses will go up from 3 per moment is cheapest among the "stay of execution" last week cent per annum to 5 per cent four major high street banks. under the new revised scheme. amount guaranteed (thereby over base; Lloyds charges 2 per which runs from June 1 to placing a cost of 31 per cent over base, and Midland and December 31, will have to on the loans in addition. on the loans, in addition to the against 2.4 per cent previously). per cent over base). Nobody at this stage is sure

What does this mean for a typical small business borrowing £75,000 and repaying the proceeds over seven years (or 28 quarterly instalments). Unforturately the changes had not been fed into the DTI computer last week but a DTI official obligingly did some quick sums to illustrate the effects. Under the present arrange-

ments lie, if a guarantee is approved before May 31) the

first quarterly premium pay-ment to the Government is £450, the second £434 and so on as the balance declines making a total of £6,525 over more than break even. Without stifficient capital behind it a store can quickly fail." says Sutton.

"The cost of buying a business can be expensive. Loans, usually from a bank or finance house, are generally for no more than 1D years and can command interest rates up to 34 per cent or more above bank base rates.

David Trippier, the Small the term. After June 1, the firms Maister, explained that the term will go up to £656, the second will be £633 and so on, making a total over the seven year period of about £9,500.

This, of course, comes on top of the interest payments and defined." In future, therefore, the Government will only base rates. the term. After June 1, the

made by the participating that, in view of increased probanks and institutions (up to a portion of the loan on which maximum of £75,000), compared with 80 per cent prepared by the Department of ing their own charges.

however, is the best value at 11

what the impact of the changes will be. A spokesman for the Committee of London Clearing Banks (CLCB) said lenders would continue to approve applications "only if they considered the business viable,"but in the short term at least there is bound to be a fail-off in numbers as the banks weigh up their position and implement suggestions from the Govern ment on tightening up their appraisal. Trippier himself estimates that monthly approvals could fall from the current average of 400 a month to per-haps 300 under the new scheme, while potential borrowers put off by the bigb cost could well opt for one of the banks' own lending schemes in return for pledging some personal security. (This specifically is not required under the LGS.)

Longer term it is still anybody's guess what will happen to the LGS—a final decision should be taken before the end of this year.

Tim Dickson

Growth in popularity of franchising

Britain should be viewed primarily as small firms, rather than managed outlets of larger companies.

This is one of the main conclusions of a new study by Professor John Stanworth of the Polytechnic of Central London which describes the growth of franchising in the UK and relationships in several major companies between franchisor and fran-

A franchise relationship can take various forms. Typically, however, it involves an inde-pendent businessman (the ranchisee) operating under the trade name and business format of a larger organisa-tion (the franchisor) in mge for a continuing royalty. Franchising is frequently

en they run out of as or a bottle of milk."

Andrew Taylor

Andrew Taylor

ploneers with their system of "tied" house agreement.

Certainly franchising is much more important economically in the U.S.—accounting for more than 30 per cent of retail sales and 10 per cent of gross national product—but it is gaining ground to Britain.

A survey by the British Franchise Association in 1982 showed that some 4,300 separate businesses had been created by the then 40 BFA members and that their then sales of £400m were expected to reach £500m by the summer of 1983.

Discussing the changes in the industry in the last few years, Stanworth points out that the clearing banks have established a strong foothold and, importantly, "have defined franchised businesses as legitimate small businesses."

The survey detected a marked increase in the num-

that potential franchisees con-sider, but it also identified "sources of potential con-flict that could, on occasions, lead to the setting-up of inde-pendent franchisee associa-tions and even legal disputes between franchisor and fran-

"Against that, the generally smooth day-to-day nature of franchise relationships emerged as far more typical."

"The generally high level of educational qualifications obtained by franchisee and the frequent reliance for their attainment on part-time study came through strongly."

* A study of power relation ships and their consequences in franchise organisations, A report to the Economic and Social Research Council. Social Research Council. ESRC Project No. HR 7310.

In brief...

BUSINESS in the Community (BIC) and the Confederation of British Industry Special Programmes Unit (SPU) two organisations which have been discussing marriage for the past year or so duly announced their engagement last week. Both have enconraged British companies to give financial and practical belp to the communities in which they sperate (much of it involving small business support) but in view of the potential overlap and apparent confusion in some quarters it was thought best

to join forces. The new unit, which will be formally launched in October, will retain the name Business in the Community and will have its head-quarters at the BIC offices (227A City Road, London ECI; Tel 01-253 3716). Stephen O'Brien, former chairman of moneybrokers Charles Fulton and chief executive of BIC, will be chief executive of the enlarged entity, while Lord Carr, at present chairman of the SPU, will be the first

LLOYDS BANK has created a Small Business Unit. It is to be headed by Don Good, formerly assistant chief manager of Lloyds Leasing.

The unit, which will include franchising, will spearhead the bank's promotional and service activities and technical expertise in the small business field and will have special responsibility for the Loan Guarantee Scheme and Lloyds' new Technology Appraisal Scheme.

Good succeeds John Kirk-wood, Lloyds' previous small and medium business finance adviser and one of the most tireless and enthusiastic campaigners for a better under-standing by all banks of the small businessman's require-

The Small Business Unit will be tocated within Lloyds' Business Advisory Service—a team of specialist managers trained in various aspects of financial management who visit small firms to provide an in-depth assessment of a company's past performance, present situation and future plans.

THE Government's Statutory Sick Pay Scheme, which makes employers responsible for the first eight weeks of sick pay on behalf of the state and involves keeping records, is proving a head-

ache for the small business, says the National Federation of Self-employed and Small

Citing figures given in a eccut Commons written uswer. Dr Bernard Juby, the recept federation's national chairman, points out that "nearly one in four businesses employing lewer than six people has either underpaid or overpaid in recent months. In per-centage terms cases checked and found either nuderpaying or overpaying have risen from 14 per cent last June to a high of 23 per cent this March." Juby added that the Government's own research suggests larger firms are also "confused" by the scheme, which has now been running for over a year. He made it clear that the federation will continue to campaign "that smaller employers should be exempt from this scheme."

IS IT worthwhile investing in an expensive numerically-controlled machine tool which will involve considerable changes in the organisation? According to Professor
John Sizer and Jim Finnie of
Loughborough University, de-cisions are often fil founded and the indirect benefits of introducing NC machines on working capital requirements and other outlays tend to be

The two academies have thus developed a DIY man-ual entitled "Simplichange: evaluating the installation of NC machine tools," which they claim will be useful both to production directors or managers "and the financial managers of smaller manu-facturing businesses which do not have well developed systems for appraising capital expenditure on new equip-

It is published by the Institute of Cost and Management Accountants (ICMA) to asociation with the Machine Tool Industries Research As-sociation and is available, price £12.50, from ICMA's Publications Manager, 63 Portland Place, London WIN

LAST Tuesday's article on the new approved share option scheme appeared the same day as Paritament was discussing the relevant pro-visions of the Finance Bill in Standing Committee. John Moore, the Financial Sceretary to the Treasury, an-nounced that an amendment would be introduced at the Report stage permitting options to be exercised after three years, instead of five.

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THE ARTS

Cinematic refuge from the rain

Rain concentrates the mind wonderfully at Cannes, drowning ell cries of "Once more unto the beach, dear friends unto the beach, dear friends and any attempt to play truanf from the latest Godard, Taviani or Gogoberidze. It was Penelope or Gogoderidze. It was Penelope Houston, irrepressible editor of Sight and Sound, who spoke the fateful words three days into the festival. It had been cold and gusty so far, she pointed out, "bnt at least it hasn't rained". No sooner said than the Heavens opened and remained open for the rest of the festival.

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ONES British To Films of vast tength — 2½ hours of Wim Wender's Paris, Texas, 3½ hours of Sergio Leone's Once Upon A Time In America — promptly became seductive rather than forbidding, offering an asytum. bidding, offering an asytum from treacherous umbrellas, trench foot and incipient pneumonis. Perhaps this advantage also helped gain Wender's movie the Golden Palm for Best Film, although Paris, Texas is good enough to have won the top prize at any festival in any country in any

Wenders, always the least showy of the New German Cinema wunderkinder, now looks to be the one with the most staying power. In this dazzlingly imaginative film, Harry Dean Stanton plays the battered human vulture found wandering tha Texas desert, mute and amnesiac, at the mute and amnesiae, at the film's opening; wherenpon Wenders and scriptwriter Sam Shepard do a tale unfold of mystery, quest, passion, conundrum and huried tragedy, as Stanton's past is slowly disinterred, first by his brother (Dean Stockwell) and sister-inlaw (Aurore Clement), scraping away the topsoil, and then by Stanton himself, his young son and his long-lost wife (Nastassja Kinski) who converge to effect the final exhumation.

Inspired by Shephard's "Mntel Chronicles," the film has a trajectory that is quite

has a trajectory that is quite magical; from discord to harmony, loneliness to communion, wounded silence to confessional loquacity. As in all Wenders's best work, there are rich layers of allegorical subtlety bere—human evolution and space travel the last scenes take place in Houston) are rhymed with the conquest of emotional frontiers — and both in its size and its ability to fill that size with meaning and beauty, Paris, Texas is one of the great films

of recent years.

Once Upon a Time in America goes all out for mythic grandeur but achieves lumbering giantism instead. Leone used to make high-style Spagnetist Westerns (A Fistful of Dollars, etc) but this is more like a begel B-movic, vastly blown-up, being the 220-minute highry of a Jewish mobster history of a Jewish mooste (Robert De Niro) during and after Prohibition, and his life of struggle, greed, betrayal,

Comparisons with Godfother 2 are not invited, but they gatecrash the movie anyway. as it twangs along from child-hood to adulthood to old age, kraps up the vast cast (James Woods, Tuesday Weld, Elizaof love and death. Despite the ambitious framework, the charactera remain obstinately thin-weave, and the Marrist message about Capitalism — equals corruption (also present but far more cleverly poeticised in Leone's Once Upon a Time in the West) has all the subtlety of a blunt hammer and

Also sprawling into long-windedness in the Cannes rain, as if re-hydrated like a Vesta meal, were Marta Meszaros's Intimate Diary, two and threequarter hours of historical selffiagellation from Hungary, and Satyajit Ray's The Home and the World, a 140-minute serenade — sometimes soggy,



Harry Dean Stanton in "Paris, Texas"

Meszaros shnttles "Julie." a Meszaros shuttles "Julie," a sullenly rebellious teenage orphan, between assorted relatives in post-war Hungary, crafting a parable of ber country's own pass-the-parcel fate as a plaything of dictatorship. The story has gravity and well-grained characterisation; hat like most of today's political apony movies from Hungary it agony movies from Hungary it stops dead in the mid-1950s, as

sometimes inspired to India'a Michael Lyndon (Skolimowski's son, who also co-scripted) are the human pawns in this game of crazy chess about a Polish stage producer (York) living in England and his multiple wars with anthority, bureaucracy, Western culture, and his own son (Lyndon), who ends hy punking up his hair in red spikes and flying to Poland. There are times when the whole loony edifice, which re-sembles a Godard move edited if all Communist bloc troubles by Spike Milligan, collapses in

Nigel Andrews completes his report and his Napoleon yields yare from a damp Cannes

had ended with Stalin's death, a beap. But Skolimowski, being a stupefyingly alow pace— snores blossomed around me and I myself blinked hard and I myself minked hard to retain consciousness — but patience is rewarded. The second half, with its credible passions and exquisitely coloured night scenes, from subaqueous greens to dark lemon yellows to icy blues, is as bewitching as anything Ray has done.

Ray's film adapts a triangular a film-maker who denies any love story by Tagore, set during knowledge of the laws of the British partition of Bengal in 1905. The movie begins at quickly as it falls down. Britain also excelled with Cal, Pat O'Connor's darkly hypnotic fable of the Irish troubles, built around a Montague-Capulet romance of the Irish troubles, built around a Montague-Capulet romance of the Irish troubles, built around a Montague-Capulet romance of the Irish troubles of the Montague-Capulet romance between a Catholic boy (John Lynch) and the young widow (Helen Mirren) of a murdered Protestant soldier. Shuttling between glum comedy ("They're playing our tune" says the boy to Mirren as a police siren walls by) and the fierce throb of a collective pain for which there is no fore-seeable panacea, Cal is the most moving and convincing portrait of life in Northern Ireland the cinema has yet given us.

Elsewhere, the Cannes Competition had as many ups and

Brocka'a Boyan Ko, a simple but sulpburous little melodrama about industrial strife from the Philippines, and The Bounty, Roger Donaldson's film of Robert Bolt's revisionist script about Messrs Eligh and Christian and company. The spectacle here is fair-to-middling, but the treatment of Bligh as a mariner more maligned than mallgnant is well-argued and brilliantly acted by Antony Hopkins.

downs as a San Francisco trolley ride. Ups included Lind

The Competition's downs included Vincent Ward's Vigil from New Zealand, building a mystifying myth of maturation and menstruation around a tomboyish young girl (Fiona Kay) amid majestic mountain scenery, and Jacques Doillon's La Pirate from France, in which Jane Birkin, Maruschka Detmers (Godard's Carmen) and Philippe Leotard perform a batty hisexual fandango amid batty hisexual fandango amid dialogue that bas the authentic ring of mental derangement. "I dinn't come to kiss you hut to smash my teeth against yours!" cries Birkin to Detmers at one point, introducing a whole new concept in dental breakdown Outside the Competition, the

most rewarding sideshow at Cannes has been that featuring films about film-makers. In The Way To Bresson, that monkish veteran of French cinema stays firmly out of the limelight while his documentary portraitists Jurrien Rood and Leo de Boer harness their runsway theories to clime from runaway theories to clips from bis old films, at least until the closing moments when Bresson himself appears, stooped tousle-haired and en-chanting and grants a brief interview from his monkish cell in the Carlton.

and yeoman footage of Gance filming his masterpiece back in the 1920s and inventing more exotic things to do with the camera — mounting it on pul-leys, strapping it to a horse—

than are dreamt of in Bresson's austere philosophy.

And best of all there was Andrei Tarkovsky in Donatella Baglio's A Poet of the Cinema, where the Russian maestro where the Russian maestro wanders by a purling Italian stream answering questions from the unseen interviewees. When quizzed on his complex films — which are generously glimpsed in excerpt—Tarkovsky offers no glib precis or unscrambling but some fascinating sidelong insights. And on larger questions his answers range from the colourfully tangential to the gunshot-direct. "What is love?" asks the unseen Signorina Raglio, "A calastrophe" is Tarkovsky's simple trophe" is Tarkovsky's simple reply. At which the French audience, experts on the subject of course, burst into thunderous applause.

Obituary/Eric Morecambe

Eric Morecambe, who died yesterday aged 58, was the outstanding comedian of the post-war television era. With his parmer Ernie Wise (of the short fat hairy legs) he brought the era of pre-War vaudeville, into the oration's drawing rooms.

Morecambe, who died ing "have-you-ever-heard-any-thing-so-ridiculous" look before swivelling gracefully round on the list previous father than the same of the same into the nation's drawing rooms As a double act, Morecambe and Wise were worthy succes sors to Laurel and Hardy and Abbott and Costello. Although in the first ntace Ernie was the comic and Eric the stooge, the roles were eventually and subtly reversed, with Ernie emerging as the comic who is not actually funny and Eric as the straight

Unlike other great comics of our day—Ken Dodd. Frankie Howerd, Max Wall—Morecambe and Wise were improved by television and alert to its potenthe camera rather than to the atudio audience became an art form in itself. He would turn

Morecambe and Wise made their West End debut in 1943 ou the same bill (Strike o New Note) as Sid Field. Their real

popularity was first achieved in the 1960s, a decade of frantic activity on TV, in summer shows and pantomime, on sim and in America on the Ed Sullivan show. In 1968 Er's auffered his first heart attack. Their scripts were written in this period by Sid Green and Dick Hills, a cunningly per-fected format of sketches played sometimes in bed (never a whiff of homosexuality), in historical coatume, to camera in front of a curtain. Eric's use of this curtain to npstage

"sort of camp hornpipe". From 1969 their scripts were written by Eddie Braben, a Liverpudlian who retained their distinctive Northern-ness (Eric, born Eric Bartholomew, was from Morecambe, Ernie from Leeds) while extending their imaginative range and develop-ing Eric's overbearing stooge

awarded the OBE in 1976. For millions of Britons, the Christmas festivities without a show from Morecambe and Wise will be not quite so festive. Eric Morecambe, who had open heart surgery after a second attack several years ago, is survived by a wife and three children, one of whom, Gary, wrote a book about his father called Funny Man. Like his own favourite comic who died recently, Tommy Cooper, Eric was an accomplished technician and, above alt, a deeply and quintessentially funny man.

Architecture

Colin Amery

John Betjeman remembered

Walking along Piccadilly in the rain on my way to look at the rain on my way to look at the Architecture Room at the Royal Academy's Summer Exhibition my mind was full of memories of John Betjeman. That day they were burying him by the empty sands of Trebetherick. Is it too late to thank him for opening our eyes to the architecture of England, for making us see the emotional power of the past and, more clearly, the wounds we are so often inflicting in the present? I remember clearly an early meeting with him when be was trying to prevent the an early inceing with him when us to see England Still as a be was trying to prevent the land where modern architects Rector of the glorious Arts and Crafts church. Hoty Trinity, little to damage the sensitivities of our towns and countryside. The architecture room is America. It was that mixture of incredulity and enthusiasm that it is such a atrange cross section of the profession. This year

John Betleman would have understood the annual fotty of the Royal Academy's Summer Show and sympathetically observed its Englishness.

This year architecture is the second prominently placed just ago.
beyond the central hall. The learn?

beyond the central hall. The learn?
position has its drawbacks. The gallery you visit immediately before plunging into architecture is very difficult to take seriously. Where else in the world would you find several with a flat roof crowned by a gless of the se pictures of cats having their glass pyramid full of rubber dinner, dressing up or con- plants. It is No 1152 in the

temptating parrots? Where elsa would you find in one room pictures of Morris Dancers, carefully carefully carefully a factory to a funerat home and factory to a funerate home. pictures of Morris Dancers, black clergymen, carefully observed railway engines, and robed judges hanging next ta girls in provocative underwear? It certainly puts you in a good mood for the architecture room—in fact on the afternoon I was there the room was full of people roaring with do not know what future

laughter.

John Betjeman would have understood it all and be belps us to see England still as a land where modern architects between us and the "buman ant-hill to which we may be reduced."

it is such a atrange cross section of the profession. This year many of the drawings look exactly like the nine foot long panorama at the back of Betjeman's Ghastly Good Taste that his old friend Peter Fleetwood-Hesketh updated for the second edition a few years ago. Will architects never learn?

a factory to a funeral home and that is what made Betjeman write, "the sad thing for archi-

Why we loved John Betjeman and will for ever honour his memory is because he knew that architects have a choice—they can become PR men and engin-eers and dehumanise our lives, or they can carefully, very carefully, learn from the best of the paat and enhance our days. John Betjeman had humour and love:

> "Architecture can only be made alive again by a new order and another Christendom. 1 repeat that I do not know what form that Christendom will take, for 1 am not an economist. It is unlikely that it will be

prophet—as be wrote;

he was against prejudice and time will show that he was a



this generation will not see

Two Juliets/Covent Garden Clement Crisp

Inliet a girl awakening to the discovery of love or of sexual awareness? The question was posed in no nucertain terms at the end of last week when as Romeo, responded with equal Alessandra Ferri appeared for ardour, though the other supthe second time as Juliet and porting principals looked a Ravenna Tucker made her debut in the role. Both young dancers are gifted; both argue their cases cogently; both offer radically differing views of the ballet's motivation, even of its dance impulse. Miss Ferri, from the moment she Ferri, from the moment she stepped on stage as Mary Vetsera last season, was recognisably a "MacMillan dancer" by the sexual pungency of her playing, hy ber intensity as an actress and her frankness in acknowledging the emotional extravagance of the role. Her Manon, ber Micol in Volley of Shudows, her Marie in Different Drummer, have reaffirmed the passionate fdentity of her dancing which MacMillan's choreography explores.

Her Juliet, from a first boisterous appearance, is a girl of determined character whose access of mature feeling and sexual awareness is beautiful in the balcony scene, and explicitly passionate in the bedroom duet. This passion carries through to everything that follows: to the battle with ber family, to her rejection and acceptance of Paris, and to the taking of the potion-scenes played with an edge of hysteria and a rhapsodic

a mixture of young professional

musicians and advanced students dedicated to contempo-

Kenneth MacMillan's extravaganza that speak of tem-t a girl awakening to the perament ablaze but almost out very of love or of sexual of control. It is a bigh-key, somewhat unrelenting interpre-tation to which Wayne Eagling. mannered and stuffy crew,

From Ravenna Tucker on the following evening, a Juliet of exquisite dancing and emotional discretion. Not by any means inexpressive, it was a reading pure in tone, perceptive, aristocratic in utterance, which grew in stature as the ballet proin stature as the ballet pro-gressed. Miss Tucker has a lovely, fresh way with the dance, her limbs opening joyously and in ravishing lines to the choreography. In the halcony scene, in the first scene of the third act, her movements

excitements, far more so did an effusion of feeling for Romeo as the object of a first ecstatic recognition of affinity.

with what pleasure can we anticipate the fuller maturity of

Donohoe and Janowski

Max Loppert

This country doesn't very often produce virtuoso pianists like Peter Donohoe; a pily the fact of his existence and of the current regularity of his London the beginning and of appearances, isn't yet celebrated Hindemth'a Weber Variations by audiences of the appropriate size. Friday's Festival Hall concert by the Royal Liverpool Philbarmonic—the first here under the new RLPO chief, Marek Janowski—offered Mr Donoboe the kind of challenge be relishes; two Rakhmaninov works in a single programme.

The feat of playing the Fourth Concerto and the Paganini Rhapsody is, obviously, an athletic one (and at the close of the latter Mr Donohoe gave the impression of being ready instantly to dispense a third Rakhampinov torrent should the need or chance arise). Yet

Mr Donohoe is a splendid and

that originality. His partner-ship with conductor and

forced, as the strength and freedom of their exchanges attested. The performances of the third Leonore Overture at at the end were rather more uneven; though Mr Janowski indicated, particularly towards the close of the Beethoven overture, some of the qualities admired on recent Janowski recordings, the actual sonority and inter-departmental balance of the playing was often rough.

The latest in the Wigmore Hall's enjoyable Sunday morning Coffee Concerts was given by Vovka Ashkenazy, son of Vladimir. In an all-Chopln bour—a selection of popular pieces completed by the Third Sonata—the young Ashkenazy came across as a finely schooled, technically very well-equipped player whose physical and interpretative powers are at the moment notably out of phase. For though such famously halcony scene, in the first scene of the herd or chance arise). Yet though there was much brilliant, high-mettled plano playing on display, it was never simply a collection of mindless plane to the role than Miss Ferri's, but no less potent.

Juliet was shown with a toucing sincerity in terms of a girl's rapturous discovery of love. If sexual passion bad its excitements, far more so did an effusion of feeling for Romeo as the streams are the more of disturbance and high spirits.

Mr Donohoe is a solendid and passes where challenges to masses where challenges to masses where challenges to masses where challenges to make the process as a finely schooled, technically very well-equipped interpretative powers are at the moment notably out of phase. For though such famously difficult tests as the streams of floated trills in the Barcarolle were passed with expert address, there was little feeling of imaginative resources in any of the performances, except in the object of a first ecstatic recognition of affinity.

It is not for me, or for anyone, to place these interpretations in any order of merit; but what pleasure can we with the configurate the fuller maturity of the configuration of affinity.

Ashmaninov dexterity were strongest. Perhaps with stage be facing up to measure the full extent of this stage be facing up to measure the full extent of the configuration. The configuration of the configura the conservatoire" was hard to

Futurum Ensemble/Purcell Room

Andrew Clements

The Futurum Ensemble hails from the State Academy of Music in Stockholm; roughly younger British composers.

Neither of the domestic pro-ducts was new but hoth merited students dedicated to contempoducts was new but hoth merited rary music. As part of a week-long wisit to London and Brighton which includes concerts, lectures and workshops, the group atopped off at the Purcell Room ou Friday for a programme sponsored by the Michael Finnissy's Jisei was not bearing. Gary Carpenter's Da Capo is effectively put together, expertly scored hut ultimately unmemorable, save gramme sponsored by the Michael Finnissy's Jisei was of development were suggested.

M.C. Society for the Promotion of written in 1981 and proved to

New Music that juxtaposed be a lucid, well-proportioned of Gunnar de Frumerie's set-20th-century Swedish music plece for cello and ensemble tings or Lagerkvist's Aftoniond, with two recent scores by which builds to a brief, fierce through Karl-Birger Blomclimax after many slithering quarter tones and much jockeying for expressive position. Both pieces were superbly dis-

dahl's Dance Suite no 2, written in 1951 and synthesising a heterogeneous set of European influences, to Bo Nilsson's Zuanzig Gruppen — classic Zwanzig Gruppen — classic (1958) Darmsladt fodder—and finally the first performance of the 30-year-old Jan Sandström's Animo, a rather too static exploitation of flute multi-phonics with gentle ensemble

Arts Guide

Music LONDON

Paco Pena and friends: Flamenco.
Barbican Hall (Mon) (638 8891).
Royal Philharmenic Orchestra conducted by Yehudi Menuhin, violin with Alberto Lysy, violin. Bach, Schumann and Vaughan Williams.
Royal Festival Hall (Tue) (928 3191).
London Symphony Orchestra and Band of the Honourable Artillery Company conducted by Alun Francis with Antony Peebles, piano.

cis with Antony Peebles, piano. Tchaikovsky. Barbican Hall (Tue). Palladelphia Orchestra conducted by Riccardo Muti. Bartok, de Falla and Schubert. Royal Festival Hall (Wed). ouden Mozart Players conducted by Tamas Vasary with Cecile Ousset, piano. Haydn, Beethoven, Dvorak and Mozart, Queen Elizabeth Hall (Wed). (9283191).

owdon Sinformetta and BBC Singers conducted by Simon Rattle with Cynthia Buchan, mezzo-soprano and Willard White, bass. Harrison Birthuistle Stemisters and Timest Birtwistle, Strawinsky and Tippett. Queen Elizabeth Hall (Thur). Journe Scott's, Frith Street: Pianist Monty Alexander and trio. Ends June 2. (4390747).

PARIS

Orchestre Colome conducted by Anto-ni Ros-Marba, Michael Rudy, piano: Brahms (Mon), TMP-Chatelet

(2334444).ose Carreras recital, Martin Katz, pi-ano: Bellini, Massenet, Turina, de Falla (Mon). Théâtre de l'Athénée Orchestre National de France cooduct ed by Seiji Ozawa, Anne-Sophie Mutter, violin: Ravel, Debussy (Mon). Théâtre des Champs Elysées

(Mon). Théâtre des Champs Elysées (723477).
 Rmile Naoumoff, piano: Bach, Debussy, Brahms, Naoumoff (Moo). Salle Gaveau (563 2030).
 Catherine Collard, piano, Orchestre Symphonique du Conservatoire National de St-Maur: Beethoven, Brahms (Mon). Cité Universitaire, 21 Bd Jourdan (589 3869).
 Maurizie Pollini recital: Chopin, Schumann (Tue). Théâtre des Champs Elysées (7234771).

mann (Tue). Theatre des Champs Elysèes (7234771). Oliver Gardon, piano: Schubert, Brahms, Debussy, Dutilleux (Tue). Salle Gaveau (5632030). Homage to Anton Dofin (Wed) Thea-tre des Champs Elysèes (7234771). Arocez: Festival choir 1984 (Wed) Salle Plenel (5610630). Pleyel (561 0630).

Berlin, Philharmonie: The Berlio Philharmonic Orchestra under Myung-with violinist Wolf-gang Schneiderban, Beethoven and Prokofiev. (Wed, Thur).

NEW YORK New York Philharmonic (Avery Fisher

Hall): Hans Werner Henze conduction, Emanuel Ax, plano. Henze: Tristan (U.S. premiere); Kryzsztof Penderecki conducting. Penderecki (Thur). Lincoln Ccoter (8742424). Alice Tully Hall: Golub Kaplan Carr Trio. Walter Trampler viola guest artist. Beethoven, Shostakovich, artist. Beethoven, Shostakovich Brahms (Tue). Lincoln Center

CHICAGO

Chicago Symphony (Orchestra Hall): Klaus Tennstedt conducting, Mo-zart, Bruckner (Thur). (4358122).

ITALY

Bologna: Palazzo dei Congressi (Sala Europa): Alexis Weissenberg, piano. Chopin (Mon) (503331). Rome: Auditorio di Via Della Concil-iazione: Rachmaninov, Dvorak con-ducted by Yuri Ahronovitch. Pianist: Lye de Barberiis. (Moo and Tue) (65.41.044).

BRUSSELS

BBC Symphony Orchestra conducted by Paavo Berglund with Felicity Palmer, mezzo-soprano. Elgar, Mah-ler, Tchaikovsky. Kortrijk (Mon).

VIENNA na Philharmonic Orchestra con-

ducted by Carlo Maria Giulini. Bruckner. Musikverein (Tue) (658190). The London Philhermonia: Viedimin Ashkeoazi, condoctor and soloist. Beethoven and Mozart (Wed); Christina Ortiz, piano. Ravel and Dvorak (Thur). Musikverein. (658190).

Tonhalle: Tonhalle Orchestra and Saengerverein Harmonie cooducted by Hans Erismann, Mendelssohn (Mon); Jeffrey Swann plann recital. Hayda, Chopin, Debussy and Liszt (Tue). (471500).

Opera and Ballet Hamburg, Stastsoper. This year's ballet festival from May 25 to 31 con-

LONDON

Royal Opera, Covent Garden: L'elisir d'amore is the only opera at Covent Garden this week; the latest Doniz-etti revival marks the final public appearances of Sir Geruint Evans, and includes in the cast Sona Gha-zarian, Luis Lima, and Ingvar Wix-ell, with Gabriele Bellini (London debut) conducting. (240 1066). Royal Opera House, Covent Garden: Royal Ballet offers a triple bill. Coliseum: London Festival Ballet has a quadrople bill. (8383161).

Boris Godunov alternates with a new production of Gluck's Iphigenie en Tauride conducted by Gerd Al-brecht, with Shirley Verrett in the breent, with Surrey Verrett in the title role and Thomas Allen as Oreste. Paris Opera (1425750). Group Emile Dubois with Jean-Claude Galotta's post modern choreography in Ulysses is followed by the Gul-benkian Ballet, influenced by Mar-tha Graham and Merce Cunning-ham, at the Theatre de la Ville.

WEST GERMANY

Berlin, Deutsche Oper: La Boheme stars Raina Kabaivanska and Alber-to Cupido. Don Giovanni, sung in Italian, features Csilla Zentai and Alejandro Ramirez, Orpheus in der Uoterwelt has Astrid Varnay, Janis Murtin and Donald Grobe, It is produced by Gotz Friedrich, (34381).

centrates on the 'symphonic dance'
Premiering is a Jobo Neumeier production to Mahler's 6th symphony.
A further performance is Endstation Schnsucht (A Streetear Named

Desire) choreographed by John Neumeier after Tennessee Williams' play with the Stuttgart ballet. Solo-ists are Marcia Haydee and Richard Cragun. Also shown is Neu production of Wendungen, to production of Wendungen, to music by Schubert and to Mahler's 4th symphony. Also Hommage à George Balanchine including his vier Temperamente, choreographed by John Neumeier. A Nijinsky gala again by Neumeier, danced to music by Bach, closes the week. (351 151).

Frankfurt, Opera: Parsifal has Wagner specialist Walter Raffeiner in the ti-tle role. Richard Strauss' rarelyplayed Capriccio has fine interpreta tions by Helena Doese and Anny Schlemm. Fidetin has Anja Silja as Leonore. Die lustige Witwe is e wellrepertoire perform (25671).

tutigart, Württembergisches Staatstheater. The week starts with Ariadne auf Naxos, followed by Hans Katze; Idomeneo, a Harry Kupfer production, and Der Troubadour. (20321).

Munich, Bayerische Stantsoper: A oew production of Honegger's Jo-hanna auf dem Scheiterhaufen, produced by August Everding bas Cor-nelia Wulkopf, Astrid Varnay and Norberth Orth io the main parts. Orpheus and Eurydike brings to-gether Cornelia Wulkopf, Julie

an and Pamela Coburn This week's bighlight is the Magic Flute with Kurt Mott and Zdzislava Donat. (21 851).

May 25-31

NEW YORK

New York City Ballet (New York State Theater): 37 repertory works, includ-ing 24 by George Balanchine and 10 by Jerome Robbins, comprise the spring season, featuring this week A Schubertiad and Le Tombeau de Couperin. Ends June 24. Liocoln Center (8705570)

Center. (8705570)
American Ballet Theatre (Metropolitan Opera House): Ends June 18. The New Moon (Light Opera of Man-hattan): Sigmand Homberg's tale of French Louisiana in the 17th Century includes the songs Wanting You and Lover Come Back To Me. Ends May 27. 334 E 74th. (861 2268).

Idomeneo conducted by John Pritch ard with Stuart Burrows and Chris-

tian Eds-Pierre. Theâtre Royale de

natsoper: Lorin Maazel conducts

la Monnaie.

Carmen; Hager conducts the Magic Flute. (5324/2655). Ballet evening with music by Alban Berg: Three Orchestral Piecea (choreography by Forsythe), Lyrical Suite (choreography by Jochen Ul-rich) and Violin Concerto (choreog-raphy by Jist Kulin), Violan, Stringrapby by Jiri Kylian). Vienna String Quartet conducted by Lorin Maazel. Stastsoper on Monday.

Beethoven/Wigmore Hall

Andrew Clements

the London Society of Chamber opportunities. Mr Roberts

piano which were published as thesea (piudged. They are hardly well known, even among the fluting fraternity, which is generally desperate for worthwhile 19th-century pieces particularly by fortunate view of pieces, particularly by first-rank composers. But before there is a rush to procure a copy of the variations on the principal that the merest trifles from the year (1818) of the Hammerklavier Sonata must have something going for it, it should be reported that what small interest there is to be found in them lies exclusively in the piano parts; the flute always ing such a low-kcy approach supports (sometimes only supplying a pedal note!) and is too many smudged lines marred never allowed the luxury of

bravura writing. On Wednesday Misa Milan pages.

The last of the series under played the last four numbers of the title "Late Beethoven—Both Op t07—on one Rusian and three Ends of the Spectrum," presented in the Wigmore Halt by she could with the timited the London Society of Chamher Music brought together the performers who have sustained all bagatelles of Op. 126, presented four of the programmes—the pianist Bernard Roberts, flautist Susan Milan and the Delme String Quartet.

The thread connecting the concerts has been a curious one—the 16 tiny sets of variations on national airs for flute and plano which were published as Beethoven'a Opp. 105 and 107.

> The Delme's contribution was no less than the C sharp minor quartet Op. 131. Theirs was a view of the work that appeared to draw all its Inspiration from the opening fugue; only in the finale did the players suggest anything like a full-blooded quartet sound. The ctiolated effect of the second movement was unnecessarily feeble; the central Andanie variations were never granted a full, singing tone. With highly precise play the scherzo, and the best playing was reserved for the closing

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Tuesday May 29 1984

where the European dimension

is appropriate.
By contrast, it seems slightly

eccentric, at this stage in the

Community's development, to argue for European integretion in such fields as education,

bealth or justice. There may well be a case for more

co-operation in industrial train-

ing, or between national bealth authorities. But it is not obvious that the attempt to create full-

blooded education or bealth policies for the Community would, in the foreseeable future, bring advantages which

outweighed the costs.

But President Mitterrand's

become more visible if WEU starts to function effectively.

Nor is there any case for over-dramatising President

Mitterrand's arguments in favour of more majority voting in the Council of Ministers. He hes not recanted on the Gaullist

proposition that member

governments should retain the right of veto in very important

issues; be just says, and rightly, that recourse to national vetos

The force of his initiative lies not in any of the specifics, but

in the cumuletive proposition that, in their own self-interest,

the European countries can and

must work much more closely together, and that such co-opera-

tion is possible in many ways and many different fields,

Presumably, the other mem-

ber states will start to formu-

many, Italy and the Benelux

Europe, The most valuable ser-vice that can be performed by

those governments that want

Royal Assent, it will have potential access to the earnings of British companies' subsidi-

arles overseas if their tax bill

lightly-taxed overseas subsidi-aries are guilty of tax avoidance

unless they can prove their innocence by meeting one of three complex escape clauses.

Revenue regards as a bona fide trade (and so fail its first

matter for debate and one
"wrongly - motivaled" transaction by one subsidiary can
land a multinational in the

The third escape route, the

escape the CFC levy. But why should it distribute back to

other country where the multi-

MPs still have time to ask two questions. Will the new CFC legislation raise enough

revenue to justify its compli-ance and collection costs? The

Revenue has yet to produce a

convincing cost-benefit analysis. Second, could not a set of

Given all the worries, it

might be best to delay the CFC legislation for another year.

national bas an interest?

Questions

change in its draft list of non-havens. It added the seemingly rules more narrowiy focused

harmless proviso that if it on the few genuine offenders be thought companies were using devised?

effect worthless since companies anywhere abroad doing out it for as long as companies
have traded abroad. The sushave managed well water
panies anywhere abroad doing out it for as long as companies
have traded abroad. The sus-

forry lest the Revenue displicion in some quarters is that the Inland Revenue is really The second big worry is that seeking a substitute for the sort

The second big worry is the CFC rules introduce, of powers it enjoyed in the second big worry is the first of powers it enjoyed in the second big worry is the second big worry in the second big worry is the second big worry in the second big worry is the second big worry in the second big worry is the second big worry in the second big worry is the second big worry in the second big worry is the second big worry in the second big worry in the second big worry is the second big worry in the second big worry in the second big worry is the second big worry in the second big worr

approach to the taxation of grant tax officials specific companies worldwide earnings powers to counter specific Uptil now the British tax abuses. The need for blanket

authority's jurisdiction has stop- new powers is unproven.

has been gravely abused.

Mitterrand's initiative

PRESIDENT Mitterrand's in-itiative in calling for a new impetus in the integration of Western Europe deserves warm support from every responsible government. For over a decade, the European Community bas been deadlocked by national obstinacy in defence of vested interests without in proceedings. interests, without in prectice satisfying those interests. The time has come to make a new

There are three main reasons for the Community's stagnation. The first was the legacy of General de Gaulle, who fatally undermined the original assumption that the member undermined states were engaged in a com-mon enterprise of equals. The aecond was the stagdationary impact of the two oil sbocks, wolch provoked nationalistic reflexes in many member gov-ernixents. The third bes heen the interminable quarret over Britain's excess contributions to the Community budget.

With the passage of time, de Gaulle's legacy bas waned: the French are less arrogant about their special position in the world. The nationalist reaction to the oil crises has given way to the realisation that Europe faces common problems from the hi-tech industries of Jepan and the U.S. and from Washington's management of the U.S. economy. With reasonable luck end goodwill, the British budget problem should be disposed of for good at the forthcoming European summit at Fontaine-

lf so, the decks will bave heen cleered for the member stetes to give serious consideration to a relaunch of the Community process.

Endorsement

Some of the Ingredients in President Mitterrand's speech to the European Parliament last week may seem more plausible than others. The idea of closer European security and defence co-operation, partly through a revival of the Western Euro-pean Union treaty institutions, is aiready gaining momentum in a number of capitals; even Sir Geoffrey Howe, the British Foreign Secretary, has now given it a relatively warm

At another level, a forward more European co-operation impetus has already been given rather than less, is to make to European collaboration in a number of bigh-technology projects, and more could be done and the foot-draggers.

porstion tax—bas tended to drown continuing worries about

other, more technical proposals

panies. The section of the Finance Bill concerned with "con-

trolled foreign companies (CFC) is a case in point. The Inland Revenue takes the

line that the CFC legislation is not even controversial: it is old

hat because there bas been a

lengthy consultation lasting

three years. However, the con-

sultation process has left most experts outside government un-

bappy about both the detail

and spirit of the proposed new

law. Ministers, too, are thought

include the main accountancy

bodies, bankers, the Institute for Taxation and the Confedera-

tion of British Industry, not to mention most of Britain's blue-

chip companies. These bodies hold no special hrief for the few sharp operators the new

law is designed to snare. So why does the CFC legislation

generate so much beat? First, because it has such a

broad sweep: every British company controlling an over-

seas subsidiary potentially fails

At one stage it looked as

though the Inland Revenue would lessen the burden by

issuing a statutory list of non-

havens — "normal" countries like West Germany and the

U.S. Companies that trade only in these non-hevens (the vast

majority) could then ignore the

new rules. However, after the Budget, the Inland Revenue

made a smell but devastating

the countries to avoid tax, they

could after all fall under the

Critics of the new legislation

Tax rules for

overseas profits

THE vigorous public debate ped at Britain'a shores. But that bas greeted the Budget's when the Finance Bill reaches centre-piece—the reform of cor-

that could in the long run bave is less than balf whet it would an important effect on combe in the UK. Companies with

. . . but I am not at all sure I can tell you why," a senior EEC official said last week, shouting to make himself heard above the end-of-term merriment in the members' bar of parlia-ment in Strasbourg. If those closely involved in

European Community politics find the parliament difficult to assess, what on earth are the 210m potential voters to make of it? Opinion polla suggest that the first directly-elected parliament bas not branded it-self deeplly into the public consciousness. The most recent Community-wide soundings showed that little more than 40 per cent of respondents thought the coming elections were an event of much importance.

CCTHE European Parlia-

body than it was five years ago

ment is undoubtedly a

much more important

Europe goes to

the polls in

three weeks'

time to elect

just how

important is

the institution?

a new Community

Parliament. But

Irrespective of whether the parliament is an irrelevance or an essential vehicle for the Community's political development, the campaign is already demonstrating one tangible result of direct elections: on television and radio, in news-papers and on the streets, issues and problems are being dis-cussed in more than a merely

national context.

Although the Community has no responsibility for defence, candidates in France, West Germany and the UK can be heard But President Mitterrand's speech need not and should not be read as a final blueprint, to he accepted or rejected as a package. And it is almost certainly a mistake to take his reference to a "two-speed" Europe as an attempt to blackmait or exclude governments which do not endorse his propositions: a two-speed Europe already exists in the European Monetary System, and it will become more visible if WEU arguing the case for closer security co-operation in Europe. security co-operation in Europe.
Socialists in all countries are
campaigning for more effective
industrial and employment policies at Community level and pledging renewed efforts to advance workers' rights. To their right, the various Conser-vative, Christian Democrat and Liberal parties are arguing for closer economic co-operation, the removal of barriers to trade and measures to stimulate investment and enterprise,

Unfortunately, many voters will take all this Eurotalk with a place of cynicism. The Community they are used to hearing and reading about is associated political deadlock and

The council has become more respectful

The questions will trouble many candidates across the Ten. In the 1979 campaign it was possible to urge the electorate to bring about the democratic transformation of an institution to be its motive force. If you preferred the status quo, then you were bidden to send repre-In any case, you needed elected members in the new parliament

Nuclear auction

-cash down

David Curry, defending Essex North-East for the Conserva-tives, has taken the food proces-sing industry under bis wing, while Britain's "Mr Agricul-ture," Sir Henry Plumb, the Tory group leader, has exploited the perhaps too-wide open door which the farming interest has

Yet a representationel role

Most of the 64 United King- with the immense technicalities dom MEPs who are standing that characterise EEC legisthat characterise EEC legis-tion and lacks real power to change things. Frustration led the Parliament into an early search for Identity and public recognition through an exten-sion of its concerns far beyond those implied by the Treaty of Rome. Security first figured on its debating agenda in 1980, bnman rights violations in a dozen countries have been examined and condemned and, controversially, the Northern Ireland situation investigated.

The Rev Ian Paisley and John Hume are among many MEPs who bave effectively used the parliament as a platform for concentrating international et-tention on specific domestic pol-

can be frustrating and politically tention on specific domestic pol-unrewarding if it deals only itical Issues, while dozens have

success in pushing through a draft treaty on European union. The Italien communist's initiative was in many respects the clearest expression of the par-liament's dissatisfaction with its present powers. The chances of it being ad-

launched personal campaigns of one kind or another. Stanley

Johnson, the Tory member for Wight and Hampsbire East who

is not standing again, scored a spectacular success by mobilising the parliament behind a ban nn imported baby seal skins, which eventually became Com-

The other remarkable per-sonal achievement of the par-liament was Altiero Spinelli's

munity policy.

opted by governments are remote, despite President Mitterrand saying last week that France shared the spirit of the Initiative. But the provisions of the draft treaty do serve to highlight the president of the lighting the lighti highlight the parliament's case for powers to initiate policy proposals and for a greater measure of influence over the

the parliament has not always acted consistently. Its rejection of the 1930 budget in sup. Democrat-Liberal coalition. port of a demand for a better balance between agricultural and other spending set a theme that has been tenaciously pursued. But equally tenacious support for extravagant farm price rises undermined the credibility of the parliament's stance. Also, its pressure on governments to reform the budget and to provide increased budget revenues has been a significant polltical factor both serving and complicating the cause of a interest into a common cause that has been tenaciously

permanent Britain's contributions.

Whether the parliament's effectiveness would be enhanced by localing it in one place-preferably Brussels—has been interminably argued by MEPs. It appears to bave succeeded in taking its plenary sessious away from Luxembourg, but its secretariat is still there. Week after week people and documents move in ant-like processions. sion to Brussels (for commit-

tee meetings) and to Stasbourg (for plenary sessions) and then back to Luxembourg.

The failure to conduct these elections according to a com-mon electoral system is the fault of governments reluctant to change their existing systems and not the parliament. Proportional representation is the norm in continental Europe although it takes several different guises. Only in the UK will the number of scats won by the parties be seriously disproportionate to the pattern

of votes cast.

Will the results matter? In the last parliement the centre-right groups, including the British Torles, have wielded a consistent majority. The reconsistent majority. The result has been to soften demands for expensive new social policy initiatives, to blunt the potential impact of the Vredeling proposal on worker consultation and to ensure that human rights violations in East Europe ere condemned as well as the ere to Chila and South as those in Chile and South

Africa.
Undoubtedly, the first thing most pollulcians will be reading into the election results is their implications for the atanding of eoch of the ten governments. In France Mme Simone Vell is leading a joint list of Giscardians and Gaullists with half an eye on the 1988 presidential elections, In Britain the results should measure the extent of Labour's recovery under Neil Kinnock and the continuing importance of the Liberal-SDP

Alliance.
In West Germany the governing coalition will be weakened if the Free Democratic party fails to clear the 3 per cent burdle and loses all representation in Strasbourg. In

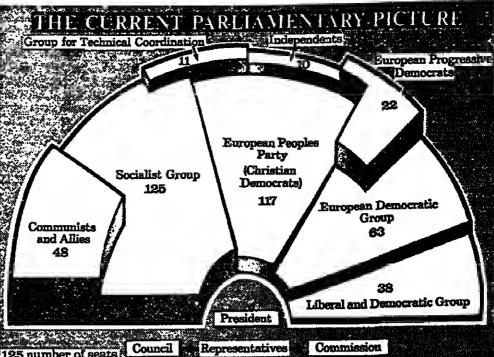
The nation state remains the source of primary interest

Italy the Socialists will be looking for an increased sbare of the vote and endorsement of Bettino Craxi's tenure of premiership. In Greece, Prime Minister Andreas Papandreou may be tempted to call a general election in the autumn if the swing away from his Socialist Party is only a modest one, while the Danish Socialists will be looking for a recovery after last year's national elections. In council.

Where it already has such influence — through shared powers in setting the budget— row over cruise-missile deployment has not always ment is bound to have an impact

To be sure, the domestic political stakes riding on these elections will generate most of the effort put into them and the

plicating the cause of a interests into a common cause



Real progress, despite all the cynicism

By John Wyles, Common Market Correspondent

with budget rows, with plant closures and job losses in steel, plant shipbuilding and textiles and epparently lacking an effective response to recession and unemployment. Above all, they late their responses to President Mitterrand's call in will be asking what the Eurotime for the summit in a month's time. Some, like Gerpean Parliament can do to change matters and wby they should bother to vote at all on June 14 (in the UK, Ireland, the Netherlands and Denmark) and countries, can be expected to be enthusiastic; some others may be sceptical of, or hostile June 17 (in the rest). to, anything that smacks of closer political integration in

men, consumers and citizens. Five years on, the waters are muddler and there is a record again can recite successes in securing beneficial changes to proposed legislation. Joyce Quin, contesting Type and Wear to be examined. On the whole it is e respectable but—to the regret of many candidates— rather unexciting one. Pieter for Labour, mentions amend-ments to fisheries proposals of benefit to fishermeo in the Dankert, the Dutch socialist who has been the parliament's president for the past two and a half years, summed it np rather neatly last week. People should come out and vote, be North-East of England.

said, because the parliament fills a "democratic gap." National parliaments, with the possible exception of the Danish, are wholly inadequate when it comes to scrutinising end controlling what govern-ments do in the community. The EEC is now a formidably in Brussels.

active legislator and without the perllament, Dankert implied, citizens' rights would be poorly protected. It follows from this that much of the parliament's most important work is largely unremarked. It has no legislative powers to speak of, but it is required to scrutinise all of the European Commission's proposals. It can make amendments but neither the commission nor the Council of Ministers need take any

In fact, the commission has which could serve every taken increasing account of the political prejudice. If you wanted more political and council, composed after all of economic integration, then a directly-elected parliament was links to MEPs, has become more links to MEPs, has become more respectful. The commission, beaded by Gaston Thorn, has come to see the Parliament as sentatives to Strasbourg who a useful ally in arguing for its would spike the federalist guns. proposals with the council and e potentially dangerous enemy because of the Parliament's capable of defending your power—so far unused— to dis-interests as workers, business-miss the 14 commissioners.



Sir Henry Plumb (left), Britain's "Mr Agriculture", and Mme Simone Veil, leading the Gaullists and Giscardiens

Men and Matters

Electricity people from many parts of the world are being invited to a most unusual sale. A semi-completed, pressurised water reactor nuclear power station in the U.S. is to go under the hammer. So keen is Jersey Central

While the spiriting of profits out of Britain may be wrong, it is less clear that overseas profits, even if they are not earned through what the Inland Bryanus reserves as a hous fide Power and Light to rid itself of its Forked River project in New Jersey, some 65 miles south of New York, that the auctioneers are promising escape clause) should be potential game for the British Exchequer. While there is a second escape route called the "motive test," companies argue it gives the authorities too much leeway. Motives are a matter for debute and one "everything sella regardless of price"—provided that you pay on the day of the sale.

The site was prepared and foundatins installed and assembly of the reactor itself and generators was just starting when the company did a recount and concluded that power

demand in future years would not justify running the station.
The sale will include the components for a pressure vessel to contain the nuclear reactor, stainless steel internals and a giant 1,180 megawatt Brown Boveri turbo generator. There so-called "acceptable distribu-tion" policy, is also onestioned: if a company fails the above tests and e suspect subsidiary distributes at least half its profits back to Britain, it can escape the CEC leav. But why are even assorted computers to run the machinery and everything is said to be carefully wrapped and in an "as new condition.



"Watch television! What do you think we've been doing

It could be the ultimate con-struction kit for the man who has everything.

of Times Newspapers while still in bis twenties. He moved on to become finance director of the It reminds me that British
Steel still has all the bits
needed to put together a
leviathan blast furnace. They

were bought in the 1970s just before the corporation started cutting back iron and steel production to match lower market forecasts and have been stored ever since on a site in the north-east of England.

Brown jogs in Michael Brown, next president

and chief executive of the International Thomson Organisation after Gordon Brunton retires at the end of the year, was one of the bright young men the late Lord Thomson of Fleet gathered about him in London in the early 1960s.
"The trouble is," says one of

his colleagues, " that after more than 20 years with the company be shows up the rest of us by still looking as young and as That may be because Brown, now aged 49 and living in Greenwich, Connecticut, where he is head of the Thomson U.S.

subsidiery, keeps in trim by jogging. Otherwise, I am told, his hobby is work. He has spent much of his time is recent years on aeroplanes running Thomson's 60 U.S. operating companies in publishing, oil and gas and travel.

Brunton will be a hard man to follow. Retiring at 63 be has been with the Thomson organ-isation for 25 years and for the past 16 years has been chief executive. Lord Thomson, the present chairman, paid tribute to him yesterday for his work in the development of the group's magazine, travel and oil interests and, recently, the rapid expansion by Thomson in the information and publishing

business in North America.

Brown left a job in engineering to john Lord Thomson in

Thomson Gronp. He played an important part in the Thomson move into North Sea oil and by the early 1970s was the first chief executive of the Thomson

oil group. He has been an executive vice-president of the Inter-national Thomson Organisation since 1978.

A few survive

The rules of the Tercentenar ians' Club are guaranteed to keep its reputation as one of most exclusive business clubs in the world.

Not that there is anything complicated about them.

Indeed, they are devastatingly simple. To qualify firms must be able to show a connection with the families of their founders for 300 years or more. Founded 16 years ago the club bas just beld its annual lunch at Chartwell, Kent, the former home of Sir Winston Churchill, with e local company

acting as bosts.

The proud boast of R. Durtnell and Sons of Brasted, Kent, is that they have been huilders since 1591. One member of the family, Lieut-Col C. S. Durtnell, traced the story in a book From an Acorn to an Oak Tree—although these days they just as likely to be working with tower cranes and concrete. Other members of the ciub

at Chartwell, were C. Hoare, the London bankers, Firmin and Sons, the Birmingham makers, James Kenyon, now a division of Albany International, of Bury, Lancashire, and Early's of Witney.

The exclusive nature of the club breeds its own perils, of

course. Can it survive the present age of takeovera mergers and management buy-

Very occasionally members are delighted to hear of en Britain and became a director aspiring new member-another

company that has stayed the 300-year course. A grest this year was Jean Hugel whose family has been making wine in Alsace since 1639. He has duly been enrolled as an honorary member.

Jumbo row

I hear from the Canadian High Commission that there is no love lost between Brigitte Bardot and Canadian customs

"They are pains in the neck," says the French actress who is angry over their intervention in ber latest gesture to save the baby seals.

Bardot sent a valuable bracelet to be auctioned by a Quebec animal weifare group et a fund-raising affair. The trouble is that it is an ivory racelet. Customs officials are demanding a declaration from France that she has e permit

to export ivory.

Minister Pierre Bussieres,
defending the bonour of the
revenue department explains
that the international rules are quite clear. Ivory exports and imports are banned because the species, he aays.

Bardot says she wants the bracelet back.

No luck

In e manner of speaking Hong Kong's future was up for sale at the weekend. And there were not many takers.

A local education worker, Ng Po-Keung, paid HK\$21,000 for the privilege of owning car number plate HK 1997 in the latest of a series of regular government auctions of car

registration numbers.
Compere 1be price with the HK\$1.03m pald last year by Hong Kong millionaire Cheng Kung Sze for the lucky number 3. Clearly bidders at the auction did not feel that 1997 — the year when the territory's lease runs out — is going to take them very far. Ng Po-Keung aays he bought the number for fun. He does

Observer

not bave a car.

of to compete with the rest of the world we need not only the latest technology for people who will adopt to if We have both in Nikelhern trekand 99 Nive wifeka begin seb gazingen vikenskelden. Vikenski vikelden.

Uninformed apinions about Northern Ireland have always contrasted with the voices of experience. People are constantly surprised by the numbers and quality of the international companies operating here, the scale of their investment and the success staries they tell.

To help to improve both the image and economy of Northern Ireland, The Northern Ireland Partnership has been farmed, representing all parts of the husiness and professional community. In June members of the Partnership will be coming

tn London to tell British management about the real Northern Ireland of today.

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Please join us. Judge us on the facts.

l would	For more information write to: The Northern Ireland Partnership, 64 Chilchester Street, Belfast BTt 4PL Northern Ireland 0232 233233 like: Io hear more about your London presentations on Infeiand some general information
Name -	
Compac	oy ————————————————————————————————————
Position	
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25¢	Northern Irelani Partnership

PLUME of smoke billow from the exhaust stack of a dumper truck trundling along the waterfront at Liverpool's huge defunct Albert Dock.

Above, a gang of men toils nn the spiderwork of scaffolding, restoring the historic structure into flats, offices, a wine har and restaurant, a sign of the Government's special initia-

tives on Merseyside.

The 120 apartments are likely to be offered for between £40,000 to £75,000 when they come on to the market in two years. In the city with no budget, there appears to be no shortage of takers.

Half a mila away, in Luke Street, Mrs Irene Thorpe, a pensioner, stares stoically from the balcony of ber drab flat in e five-storey high-density tenement, one of half-a-dozen similar blocks making up Sugger

demonstrates the atriking con-trast between the urban regeneration, which has brought the blossoms of the Inter-national Garden Festival, and the cancer within Liverpool'a housing stock. Both are trade-marks of economic stress. marks of economic stress.

In a year when tha Post Office has issued special stamps mark-ing urban renewal, such pockets nf inner city regeneration go hand-in-hand with persistent reminders of the failure to supply adequate housing, not just in Liverpool, but in many of Britain's older cities. In Liverpool, council bousing

and its cost is one of the biggest single elements in the city's

The contrast between urban regeneration and the cancer within the housing stock

budgetary crisis, and in the clash between the Militant Tendency-influenced controlling Labour group and the govern-

and government officers are now poring over the council's books to see if extra money can be used to find a way out of the budgetary

Protesta

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And the state of t

The Government has pumped £280m into Liverpool over the last three years in special assistance—the urban aid programme, Merseyside Development Communications and the second seco ment Corporation, grant aid and cash help for the Port of Liverpool. It is probably more than for any other area.

The council's capital alloca-tion for housing stands at £38.5m, and has been cut by £20m in real terms over the last four years, and, as in every other city, the Government now contributes just 10 per cent of ding hanging drying from rods, the cost of the council's housing A short walk up the hill and

Liverpool's housing crisis

Where the run-down and the renovated lar blocks making up Sussex Gardens. They were built 50 years ago, as housing for the poorer working class. Sussex Gardens is due for demolition in four years. It demonstrates the stabiling con-

Nick Garnett reports on the

the city without a budget

cash problems facing



Down comes the Texteth Rights after the 1981 riets.

revenue budget when it once provided 40 per cent. Almost 200,000 people out of

population 450,000 live in council dwellings. Some 23,000 of the 70,000 council properties need major expenditure, 9,000 people are on the council waiting list and 10,000 are seeeking transfers.

Council bouse rents average £17 a week, possibly the highest outside Greater London. "The capital allocation no-

where near meets need," says one senior bousing officer. "Maintenance is underfunded and revenue expenditure is just plainly inadequate." In Sussex Gardens, the block's

internal stairs, permeated by a slightly nauseous sweet smell, look lika those of a correction centre. Pockets of rubbish, including shoes and a pair of trousers, have been trampled into the ground near the entrances and left, possibly for entrances and left, possibly for weeks — a mark of the apathy towards cleanliness and the environment which is prevalent in some parts of the city. Mrs in the door: "My son says I must never let in strangers."

The landscape is marginally on the city and the control of the city and the past two spars.

sile of the Rialto, hurned down during the 1981 riots.

Mr Patrick Jenkin, Environment Secretary, will he taking another look at housing conditions in Liverpool on a tour of the city next week. Standards of accommodation are one of two problems which confront the council and which would face commissioners if the them in to run the city. The other is the way Liver-

pool's bousing Direct Labour Organisation is run. The DLO, which employs 2,000 in repairwhich employs 2,000 in repair-ing and huilding, faces prob-lems including inefficient organisation, widely scoroed bonus payments which differentiate between maintenance and construction lahour, frequently hitter inter-union friction and a lack of management direction.

The landscape is marginally Many of these difficulties are cheered by bright coloured bed-ding hanging drying from rods. councils. They might also have something to do with the tradi-

the empty ground marks the tional productivity problems on Merseyside—particularly acute in Liverpool's grossly inefficient refuse disposal aervice—and the influence of Communist shop stewards.

Thera have also been com-

plaints for many years about the standard of DLO workmanahip. The labour group, seeking to find work for the DLO based on its contentious policy would face commissioners if the of no job cuts, dipped further Government is forced to bring into the revenue budget lost year by putting virtually the whole maintenance labour force to work replacing bathrooms on the Dovecot Estate, which was built in the 1930s. The pre-fabricated bathrooms, added in the 1970s were disintegrating. but using maintenance-trained labour for hailding work led to big delays and quality prob-lems. It also slowed down to a trickle maintenance work on other council dwellings.

On the other band, Labour says it is committed to improving efficiency, reducing administrative overheads and ending bonus anomalies. It bas also instituted a strategy of 17 high priority areas in the public sector and 100 improvement areas in the private sector, and bas started 700 new council houses in the last year.

Poverty and apathy frequently combine to prodoce litter and vandalism, beaping self-inflicted wounds on an already sick body. Some outsiders complain that Liverpool has not done enough to belp itself and has too much of the begging-bowl mentality. "People with get up and go have got up and gone," is an occasionally expressed though unfair comment.

Liverpool is not the only British city with buge bousing difficulties, Glasgow has 11,000 private houses with no bath or shower, 41,000 pre-war council dwellings that need rewiring and the 18,000 complaints about damp last year were 5,000 up on the year before.

That council says it needs £77m just to keep its council dwellings bahilable and water tight, but its capital allocation

In Manchester, a magnificent £16m conference centre is being bewn out of the city's derelict central station, while the council considers whether to abandon 800 flats and maisonettes because of structural problems in the vast post-war Hulme de-velopment. The new National welopment. The new National Museum of Photography has structures put the Direct Labour brought extra life to the centre of Bradford in West Yorkshire, but great swathes of dereliction have eaten into the Asian ghettoes of Manningham and Leeds Road. In the south, while the Liverpool budgetary of the first problem on. Hackney in east

Britain's most deprived ward It is easy to forget the chronic immediate post-war housing conditions of many older conurbations. Down by the docks in Liverpool, som terraced streets were just 15 feet wide, allowing almost no light into the bouses. Lavatories were communal latrines at the bottom of the road

Things have improved though people living in some deprived and distressed areas might be forgiven for no acknowledging that. Liverpoots current busing quandariea reflect the three classic tronbles of obsolescenca, bad design and poor construction.

These manifest themselves in unwanted three and four-bed-room maisonettes situated five room maisonettes situated averstoreys up 16-slorey blocks. The 1930s policy of class-based building — pocrer tenement housing in the centre with attractive cottage-atyle council housing in the garden suburbs — is still with the city. So are the construction failures to the construction failures, in-cluding system building with lts ventilation and damp

Shaw Street in Evertnn is by shaw Street in Evertin is by no means one of the worst, but it provides snapsbots of a range of Liverpool's bousing problems. At the top end is a terrace of dilapidated but protected Ceorgian bousing. Across the road, Radeliffe Gardens, built in the 1866s or the model in in the 1960s on the model of a Cornish fishing village, lies partly vandalised. Pedestrianisation created enclosed alley-ways through which people walk with trepidation.

Further down, three massive tower blocks known as "The Piggeries" stand empty, the subject of legal action between

Too much money has been wasted, the Government says

the council and the company t which the blocks were leased. The Piggeries will have to be

demollshed. The Covernment is anxious to see local authorities operate more efficiently, and it now requires the Direct Works department to compete with the private sector on all but small construction projects. It encourages councils to put up rents and rates to cover the financial gaps. Too much money has been wasted, it says. Liverpool's Labour group says it will not raise rents, cut jobs or put up the rates by a large amount and complains that costing London is crisis rumbles on.

Lombard

A case for more disclosure

By David Lascelles

EVERYONE knows the size of the developing countries' debt problem: anything up to \$700bn, according to the new late figures. But all talk of the threat this poses to the banking system is not particularly helpful without a parallel estimate of the ability of the banks to with-atand it. What is needed is atand it. What is needed is some way of putting the debt crisis into a context shaped not so much by fear as by a measure of the banks' strength. Aside from creating a better picture, it might help the current debate cover the peach cover and leave the peach cover the p over the need for grand, long-term solutions to the crisis.

Many people have tried to do this by expressing the slzc of the debt as a multiple of a bank's capital: "If Brazil went bust It would wipe out XYZ bank two times over, etc." But this is a crude measure that assumes an Armageddon, which looka unlikely even now, and overlooks the fact that banks have made certain provisions against loss, and written loans

These provisions may or may not be adequate—the argument about that will go on so long as the debt crisia does — but al least they represent the extent to which the banks are braced to absorb losses. If some way could be found to collect information about these provides formation about these provi-sions at the major lending banks in the biggest industrialised countries, aggregate them, and release them into the public domain, the resulta could be

highly instructive, to put it mildly. The practicolities of such a scheme are fairly straightforward. Bank supervisors in the majur lending countries already have all this information through the reports that banks file with them (many of them now even tell banks what provisions they should make). All they should make a should take it to be the should make the should take it for each birthy. visions they should make). All it would take is for some highly-regarded impartial body, like the Bank of International Settlements, to collate and publish them, as it already does for international bank lending, Aggregation would ensure anonymity not just for individual banks but for lending countries as a whole, though it would be useful to see how provisions varied beliween, say, the visions varied between, say, the U.S., the UK and German banks,

provisions of \$Xm against Brazil, \$Ym against Mexico, \$Zm against Argentina, and so on. The generat provisions that banks make against unfore-seen losses could be published as a separate total.

These totals would be sub-tracted from the BIS lending totals to give a net figure of what the banks are "in for" if any of these countries default. The indication would, of course, be very rough and would over-look the fact that some banks are much mnro precariously placed than others. But the point of the exercise would not be to pinpoint vulnerable banks as get an idea of the size of the problem.

Of course, there are objec-tions to the scheme. Banks hate tions to the scheme. Banks hate disclosing their provisions for fear of hurting public confidence and undermining their negoliating position with troubled borrowers. It would open the door to invidious comparisons, and would be most firmly resisted by the U.S. banks who not only have the largest exposures but also the largest exposures but also the smallest provisions.

On the other hand, if banker:
are reluciant to reveal their
own secrets, they like nothing
more than learning their competitors'. The totals would allow individual banks to see how their provisions rank against the average, which might be useful given the very subjective judgments that provision-ing demands of them.

The greatest danger in the scheme is that it could backfire by disclosing just how poorly provisioned banks are against developing countries loss (it could show the exact opposite, of course, which would be comforting but unlikely). But rather like the long-running debate about hidden reserves, experience shows that fuller disclosure usually does more good toan barm, and that it is healthy for the case for banking secrecy to be tested from time to time. In this instance, it can cven be argued that the tax-paying public has a right to know because it has already been called on to beef up the IMF's resources, and migbi well he asked to slump up more to ease a crisis for which the banks We should then know that bear at least some of the re-banks had made total specific sponsibility.

Reorganising the Stock Exchange

From Mr D. Hunter Sir, - Is it too late to place the responsibility for the re-organisation of the Stock Exchange on the Government, whose predecessors' legislation precipitated the call for revolutionary change? The Governor's newly appointed advisory committee is a small but welcome step in the right direction.

The legal profession was honoured by a Royal Commission which considered its activities: it was not left to the Law Sociaty. As a result of these deliberations, some changes are taking place and they are doing so in the knowledge that they have been dis-cussed and thought through by practitioners and end-users after wide debate. Parliament, too, has participated. Lloyd'a scarcely set an enviable example of DIV.

If the Stock Exchange is thought to be unworthy of a Royal Commission, it is surely worthy of a Governor's commission. Such a body using tha Bank of England's authority would have a much greater chance of establishing the com-plete revolution which is understood to be required. The new advisory committee should be

Privatising British Airways and charter flights

From the Chairman.

British Airways

Sir.—A report in the Financial Times (May 24) says that three of the largest air holiday travel groups are calling on the Civil Aviation Authnrity to exclude a privatised British Airways from their market in the interests of "more competition," whereas their argument could lead to less competition.

Even if one ignores the fact that by the beginning of 1983, those particular companies controlled some 47 per cent of total non-scheduled flights in the UK, the argument is still based upon entirely false premises.

It is nonsense to suggest, for example, that a profitable privatised British Airways would effectively destroy competition in whola plane charters by "dumping" spare seats below full cost in this unregulated Airways will attempt to over-

in whola plane charters by "dumping" spare seats below full cost in this unregulated sector of airline operation. It is also a fact that whole plane charters are only allowed into Heathrow—the British Airways main base—under very exceptional and limited circum-

The suggestion that Britisb Airways could use its resources to undercut competition in the charter sector, ignores the fact that such an attempt would be extremely expensive and could severely damage group results. plains why one of the companies involved in preparing this "evidence" for the Civil Aviation Authority. Britannia Airways, backed by the massive been opposed by British Airways Manchester. The same logic no doubt explains why one of the companies

Letters to the Editor

interest. Allegiance to the previous system ceases with lts compulsory extinction.

ful components of the Sitted of the Sitted of the City of London despite exchange control regulations which hobbled it until 1979. It should be Intellectual property allowed to remain an important part of the nation's financial rights structure.

The Stock Exchange council euthority to impose these changes on the investment and financial community. Indeed, its suggestion that it will need

strengthened and promoted to the Government to produce the small enterprising firms. Unthis role,

The Stock Exchange is already split into various interest groups whose first concern is naturally self-preservation and not the public interest. Allegiance in the proposition of the proposition of the proposition of the public interest. Allegiance in the proposition of the proposition of the proposition of the proposition. Only then improved system. Only then fortunately the proposals if will the changes be accorded the respect which will be reliable to create a thriving market, which London present, and to result in British investions. cial centre. In the U.S. the Government

The Stock Exchange has always been one of the success- that envisaged here.

From Mr J. Adams The Stock Exchange council Sir.—I would like to draw does not and cannot bave the attention to some of the proposals contained in the Creen Paper on intellectual property rights an innovation which ahould give rise to serious concern. No one would disagree with the objects of the paper, which are to improve the system of intellectual property

statutory support to enforce its new rules, gives this point further empbasis.

Therefore, this vital responsibility should fall on those appointed by the Governor or should give rise to serious corn. No one would disagree with the objects of the paper, which are, to improve the system of intellectual property in order to encourage innovation, and to help in particular

resources of the Thomson or other British carriers.

Travel Group, has not launched Department of Transport (fora price war itself.

The past record of British continually place the interests

sures make it less likely, father than more likely, that British Airways will attempt to over-power a sector which in 1982 carried 52 per cent of all UK international air passengers.

King, Cleveland House, St. James's Square, SW1.

From the Chief Executive,

Monchester International John Mulkern's letter of May 18.
Manchester does, indeed, feel
with some justification that pre-

merly Trade) representatives continually place the interests of airlines before users. The aim is to protect Britisb airline

rights out of London when foreign carriers such as Singa-pore Airlines and Pakistan International wish to serve Manchester. Manchester.

As Mr Mulkern stales, Manchester is a bnb airport for some types of traffic. In the quasi-deregulated non-scheduled sector of the industry airlines have diversified to serve a range of airports related to catchment area potential. Because of its greater accessibility Manchester greater accessibility Manchester bas a wider catchment area than other airports in the north of England, such that when a particular route is operated from just one airport, Man-

chester is the natural choice.

Just as there is large demand for non-scheduled services, demand exists for scheduled services particularly to the presently unserved long-haul destinations. Government blocking tactics to protect the vested inlerests of airlines and airports in the south-east have prevented operation of these routes such that the hub effect at Manchester which appears so strong in global terms would disappear If scheduled services only were

G. W. Thompson.

Manchester International

inventions being exploited abroad with impunity.

The authors of the report wish to belp small companies operating only in the domestic market by introducing a cheap alternative to the patent system. At present such a system exists (for products as opposed to processes) in the form of copyright protection for three dimensional abjects realised from drawings. This protection attaches without registration of any kind and is therefore from the company's operating only in the domestic therefore from the company's point of view costless. In place point of view costless. In place of this, the report proposes a "petty patent" system in which applications can be registered without examination. The idea is, no doubt, that companies will draft their own claims and specifications (they can do this at present if they wish, but it needs expert knowledge). Such petty patents would enjoy the benefit knowledge). Such petty patents would enjoy the benefit of priority registrations in other countries under the Paris convention. Consequently if the invention turned out to be unexpectedly valuable it would unexpectedly valuable it would be possible within the priority time to file abroad. The problem is that the foreign filings depend upon the British application. If the claim has been Ul-drafted the patents are likely to be worthless, and the invention will be freely expluitable by others. This is really the nub of the problem.

Claim drafting is a difficult and extremely sechnical sub-ject. It requires both a know-ledge of the technology in-volved and knowledge of the law. Claims mark out the houndary fence of the paten-tee's rights. The art is to push out that fence as far as possible without invalidating the patent. There is no cheap, easy, non-technical way around this problem, and the system proposed is quite likely simply ta lead to

their expertise anyway.

cerned to encourage innova-tion, and it would be best to

consider Mr William Kingston'a proposals for invention war-

rants rather than misguidedly

superficiality that these pro-posals are not discussed at all. Other proposals contained in concern, but those mentioned here give rise to the greatest.

tion of the Green Paper's

J. N. Adams. Keynes College, The University, Conterbury, Kent.

Taxing profits does not make sense

From Mr J. Woodthorpe Sir,—A tax on profits never really did make much sense. Consequently, it is unlikely that the budget really did help (May 21). And if a tax on profits does not make sense, a sometimes-mooted one related to turnover is even less likely to do so, since it would simply become a cost to the purchaser,

and bence inflationary. A much better approach surely, would be to recognise thet corporation tax is a low yielding tax anyway, and to remove it altogether. In conjunc-tion, companies would be required to distribute all profits to sharebulders, who would then pay tax at their own personal— or institutional—rate on the dividends. Companies would choose their own depreciation policy, wbether it be 100 per cent first year write-off or straight line or decreasing balance, but once baving done so, would be required to adhere to their choice.

Full distribution would accelerate capital mobility, and require companies to compete for new capital in the marketplace. It would also ensure that all expense and investment decisions were made against the simple test of profitability, un-complicated and unsubsidised by involuntary inint venture with the Inland Revenue—i.e.,

the rest of us.
John Woodthorpe.
54, Enton Place, SW1. Allegations

rejected From the Press Attache, Embassy of the Islamic Republic of Iran Sir,-In your issue of May 21

you printed an allegation made by the so-called People'a Muja-hedin Organisation claiming that 400 political prisoners had been executed in Iran on May 1. is quite likely simply to lead to the export of technology of value. For this reason the proposal to abolish the patent agents' monopoly is equally Embassy of the Islamic Republications. misguided: they would an tic of Iran in London, would doubt continue to enjoy a de facto monopoly by virtue of prise of the publication by your prise of the publication by your newspaper of such slanderous The Government is conand unfounded allegations.

If your newspaper makes a

claim in impartiality in this

respect, it will also reflect our response mentioned allegations, to tinker around with the exist-

ing intellectual property M. R. Daryaee, system. It is indeed an indica- 27, Princes Cote, SW7.



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FINANCIALTIMES

Tuesday May 29 1984



Terry Byland on Wall Street

No relief in ulcer drug race

THE STRUGGLE, for dominance of the U.S. market for anti-ulcer drugs, which has already brough Glaxo Holdings across the Atlantic to challenge SmithKline Beckman, will not become any less fierce in the next five years, but will present

new challenges to the gladiators. The market is likely to be worth around \$621.7m this year selling to patients numbering some 27.4m, taking in those suffering from a wide range of stomach disorders, as

well as from ulcers proper. The bulk of sales - 96 per cent -still consist of the H2 receptor anta-gonists pioneered by SmithKline with its Tagamet drug, now challenged increasingly by Glaxo's Zan-

But the market will change significantly towards the end of the dec ade. Its pace of growth is expected to slow dramatically from the 40 per cent rate of the past five years, which was achieved almost singlehandedly by Tagamet. Moreover, the market mix is likely to change as patients, and bospitals, change to the new prostoglandin drugs which aim to circumvent side ef-

These new drugs may be more expensive but the U.S. Government is fighting hard to push hospital costs down. Increased competition in the market will exert similar

All these factors bave influenced stock prices for the pbarmaceutical groups with interest, or prospects, in this lucrative sector. Glaxo Holdings has not merely outperformed the Standard & Poor's 400 at the beginning of the year, but has edged forward, spurred on by the

success of Zantac.
U.S. sales of Zantac are likely to reach about \$130.8m this year, or 27 per cenkt of the anti-ulcer drug market, according to Mr David Crossen of Sanford C. Bernstein, the Wall Street brokerage bouse.

SmithKline's Tagamet will still bold its dominant position, with an estimated \$325.9m or 68 per cent of the market for 1984. But as recently as three years ago, Tagamet was 100 per cent of the market. Since January 1, SmithKline's stock price bas dipped by just over 5 per cent compared with a 7.5 per cent dip in the S&P 400.

Other competitors for the anti-ulcer business can be regarded as non-existent for the moment. But drugs make their entry into the market place.

Mr Crossen believes that the new drugs will find it harder to break in than their manufacturers expect expecially since the growth rate of the market is likely to slow down to 12 per cent over the next four years.
G. D. Searle and Upjohn will lead

the storming party of prostaglandin drugs, but they will be followed by products from Syntex and Hoffmann-La Roche among others.

But none of these newcomers seem to have even an outside chance of dislodging Tagamet or Zantac. Market analysts see the prostaglandin drugs taking up no more than 18 per cent of the market

The grip on the market of the H2 receptor drugs marketed by Smith-Kline and Glaxo will be reduced by the arrival of the new drugs, which may also include anti-gastritis drugs from Merck and Marion Laboratories, the impact of which cannot yet be assessed.

But Tagamet and Zantac could still be holding a 74 per cent share in the market in 1988. In these circumstances, Tagamet's share would almost certainly be reduced as Glaxo's Zantac extends its presence. Bernstein's research put Glaxo's share of the 1988 market at 32 per cent, worth \$234.8m, and pressing hard on Smithkline's 38 their case for a 35-hour week. Yes-terday 18,000 members of IG Druck, the militant print and paper work-

per cent, worth \$280.8m. But the fight for the minority 18 per cent of the anb-ulcer market also offers opportunities. The stock market clearly expects great things from the Arbacet drug to be produced by Upjohn, whose stock price has actually risen by nearly 10 per cent this year. Arbacet, together with a similar nasal solution product, is a key factor in Wall Street predictions that Upjohn's earnings could rise from the \$5.28 a sbare of 1983 to around \$7.35 in 1988. Upjohn could be holding 4.3 per cent of the anti-ulcer market, worth to the

company a total of \$32m. The other beneficiary could be G.D. Searle, whose unpopularity on Wall Street bas been signalled by a near 25 per cent drop in the stock price since January 1. Searle's Cytotec drug will be the first oral prostaglandin product to reach the market and could have a 2.5 per cent stake before the others arrive, increasing to more than 6 per cent by

Arters
Bahran
Bangtot
Bangtot
Bancaloua
Berot
Belgrafe
Berfin
Banny
Beckpeel
Berkpeel
Berkpeel
Beckpeel
Berkpeel
Beckpeel
Care
Cape Town
Cape Town
Cape Coptument
Copt 1988, worth \$44.6m. The prospects for growth in the U.S. medicare products field is providing an underpinning for pharmaceutical stocks which in many cases are vulnerable to any weakening in the dollar. Strength in the anti-ulcer sector could prove a valuable

SELLING MISSION RUNS INTO OBSTACLE

Reuters finds going tough in U.S.

BY CLIVE WOLMAN IN NEW YORK

THE TOP management of Reuters had a difficult time on last week's coast-to-coast selling mission to the

Seeking to persuade fund managers to take up shares in the international news agency and business information group, they became em-broiled in the technicalities of U.S. stock market regulations.

The Securibes Exchange Commission, the market watchdog, ticked them off over possible infringements of its tough regulations

governing share offerings.

According to officials at Morgan
Stanley, the New York investment
banker which is jointly underwriting the flotation, the SEC threatened to cancel the offering if there were any further suspected lapses.

Thus on Thursday the team, led by Mr Glen Renfrew, the managing director, and Mr Nigel Judah, the fi-nance director, confronted warily about 40 of Chicago's fund managers, taking every precaution not to be seen talking up their share price. According to Mr Dan Curren, of the First Options fund management group: "They seemed to be scared stiff when questioned about their sales growth."

BY JUREK MARTIN IN TOKYO

and Washington, are less draconian

than the Bank of Japan bad at one

through, emanating from the U.S. Treasury, would imply.

The Bank of Japan official main-

immediate or rapid appreciation in

Although be expected the mea-

the value of the yen.

German

unions in

Bonn rally

Continued from Page 1

But the biggest mark that IG Me-

tall leaves on Bonn will be courned-up mudflat which before the rally

was an emerald lawn in front of the

university, a Flanders field be-

fitting what has become industrial

Breakthrough - if any - will be

in Stuttgart today, covering the

North Baden Württemberg region,

where 25,000 engineering workers are on strike and 65,000 more locked out.

Both sides proclaim their readi-

mise for it is not apparent, even be-

tween the lines of the stated nego-

Without agreement, the disrup-

tion will grow exponentially. By the

end of this week more than 250,000

stopped.

The printers too are pressing

ers' union, stopped work, threaten-

World Weather

trench warfare.

tiated positions.

stage feared.

offering to Reulers has been increased by the boycott of the simulneous offering in the UK by the Nabonal Association of Pension Funds. The NAPF believes Reuters multi-tiered voting structure is un-fair to most sbareholders.

The Reuters team bad flown in just in time for a lunch presentation to investors at the elegant private members' Union League Club in Chicago's financial district. They followed the standard format of food, a five-minute film history of the company, a survey of the present and future, and questions.

The meeting was shorter (only 90 minutes) and more strained than expected, partly because Wall
Street had been falling sharply that
morning. "A lot of people were mesmerised by the market and did not ask enough questions," said Mr Bill Latimer of Lazard Freres.

Some of the managers blamed the Reuters team. "Id say they were kind of dry and so was the presentation," said Mr Michael Perlow of Westwood Management.

Japanese financial reforms

'less severe' than expected

cial system, due to be announced markets to lead to "slightly higher"

within the next 24 bours in Tokyo interest rates in Japan, be felt that

that the Japanese authorities are the dollar was the outflow of long-less concerned about their ability to term capital from Japan to the U.S.,

manage the changes in their capital drawn by high U.S. rates, and that

markets than some of the more ex-travagant claims of a major break-more in Washington than in Tokyo.

tained, for example, that there was the broadest measurement of trade nothing in the reform package and financial flows - of \$4.8bn; but which would necessarily lead to an the long-term capital outflow in the

This assessment was delivered yesterday by a senior official of the central bank in Tokyo. It suggests factor holding down the yen a

He was also not impressed by their management skills. They

in the short term at least the main

determinant of the yen's value would be interest rate differentials

The official said the main current

factor holding down the yen against

In the first quarter of this year,

Japan ran a surplus on its balance

of payments on current account -

the broadest measurement of trade

same period amounted to \$5.3bn.

The importance of the U.S. sbare should have been in the U.S. mar-man, of Blaur William, who reacted ket long before they came," he said. in the opposite way. "I was more ex-"They should have been more ag-cited before I came," he said. "I'm

> They're in the right place at the right time. We have volatile markets and everyone seems to need all these crazy numbers they produce."

Ms Rita Spitz, of Harris Trust. said: "It sounded too good at the presentation because they did not explain enough. But 1 understood much more by speaking to them afterwards. They have some capable people but it will be difficult to monitor them with the HQ in Londoo. The marketing te company on its six

Several fund managers found the style of the Reuters team jarring. "It was a machine-gun type of presentation," said Mr Al Shapiro of

He and most of the other investors at the meeting agreed that it had made them more inclined to buy some of the shares, although few, if any, were willing to commit

and the ability of foreign financial

institutions to participate in them,

as well as promoting the wider use

of the yen in overseas transactions. The U.S. Treasury has claimed that

this will lead to a much more highly

valued, and thus less competitive.

Any multi-reserve currency sys

tem, the central bank official said,

was "inherently unstable" com-

pared with a regime in which a

strong dollar was the lynch-pin. The problem at present, be added, was

that "the dollar is strong but not

The traditionally cautious Bank

of Japan bas long believed that de-

regulation of the domestic markets,

Japanese currency.

necessarily sound."

sceptical about whether their But, he added. They're going to growth can be maintained. They bave a bard time not doing ivell.

They're in the right place at the moment for them, but maybe the urong one for us."

Another manager admitted to an ulterior motive. "I only came to get some background on the competition, the kind of thing the other companies won't tell you," he con-

Reuters bad no comment on its

The marketing techniques of the company on its six-city U.S. roadshow and the reaction of U.S. investors have been watched closely by advisers to British Telecom which will be following in Reuters' foot-Harris Associates. "It was not easual. But maybe that's just a function of being English." steps with a joint London-New York offering of shares, probably later this year.

The U.S. offering will account for nearly half the total offering from the company and its newspaper shareholders. When a striking price is approunced this weekend, the sale hemselves yet. Is expected to yield between £200m.
One exception was Mr Bill Berg- and £270m (\$372.6m).

Gloomy background to Nato REFORMS in the Japanese finan- sures affecting the domestic capital both the domestic capital markets meeting

By Bridget Bloom in Washington

A PARTICULARLY pessimistic assessment of the immediate future of East-West relations forms the background to the Nato Foreign Ministers' meeting opening in Washington today.

Nato's Foreign Ministers, gathered bere this week to mark the 35th anniversery of the founding of the 16-nation Western alliance, appear to bave concluded that there is no chance of a resumption of U.S.-Soviet arms control negotiations for the rest of this year, and probably

Nato Ministers who recently visited Moscow are also expected to report renewed uncertainty over the Soviet leadership.

Herr Hans Dietrich Genscher, the West German Foreign Minister, is expected to tell his colleagues that Mr Konstantin Chernenko may be ill. The Soviet President was said by

German officials accompanying Herr Genscher to Moscow last week to bave read a prepared speech "woodenly" and to bave bad difficulty breathing.

The German visitors also reported that Mr Andrei Gromyko, the Foreign Minister, appeared to be exerting more influence than nor-mal, though in a bardline manner.

This suggested that a resumption either of the Geneva Euro-missile talks or of the Strategic Arms Re-duction Talks (START) was unlikely at least for the rest of this year.

These gloomy prognostications for East-West relations come as Nato Ministers formally receive a new study, which is believed to endorse the need for a deepened political di-alogue with the East. The report was commissioned by the Foreign Ministers from Nato officials last December.

The report will not be published, tut its findings are expected to be unlikely to increase efforts in the reflected in the communique, which will be published at the eod of the two-day meeting on Thursday.

According to U.S. officials, the dual themes of the study are an expanded dialogue with the Soviet bloc, combined with an insistence that Nato will not offer concessions merely to persuade Moscow back to the arms control talks.

Ministers are expected to discuss the study at a "super-restricted" session to be beld tomorrow at Wye Plantation, a country bouse outside Washington.

The Ministers set great store by these sessions, begun only in 1980, which allow them to break away from set speeches and structured discussion of a communique al-ready drafted in exhaustive detail by their official.

They are also expected at Wye Plantation to discuss the Iran-Iraq war and the implications for the West, although Ministers are seriously divided on whether Nato should even bave a collective policy towards crises in areas which fall outside the geographical scope of the Nato treaty.

There is thus no question of any direct military role by Nato in the Gulf, but the U.S. would like more understanding from its European allies on the need to compensate for possible U.S. military action in that or other non-Nato areas.

THE LEX COLUMN

A heavy roller for the pitch

Suddenly the massed bands of the London Stock Exchange membership have begun to sound a touch excophonous. Handed a new score for urgent rehearsal in the Green Paper on market reform, most of the top brass have appeared to follow the same line in espousing a dramatic shift to dual capacity, in place of the traditional jobber/bro-ker dealing structure. But a number of smaller stockbrokers and not a few of the leading firms, too, are now playing a whole medley of rather different tunes.

To an extent this simply marks a welcome opening up of the discussion. Senior partners of member firms have been given until Thursday to respond in writing to the ideas in the Green Paper and the deadline has worked wonders. Some of the discordant noises also reflect, though, a widespread unease that the applications of dual capacity as variously prescribed in the paper amount to fast footwork in the City - aimed, say the critics, at securing a firm grip on the future wholesaling of UK equities for today's jobbers and just a handful of top brokers.

Dual capacity

Many small firms, for example, have grown alarmed at the prospect – which the paper would seem to fa-vour – of a system based very largely on dual capacity market makers competing with each other via an electronic network. The ostensible concern is that too many second line stocks would lose their present liquidity; but bebind it, deeper fears are evident. Partners are alert to the nasty reality that they might have neither the capital nor the staff to compete as market makers themselves: that they could be deprived of the comfort and familiarity of a physical trading floor; and, above all, that in the era of negotiated commissions those brokers solely dependent on agency business might quickly find themselves oo the slippery path to insolvency signposted on Wall Street a decade

Less widely predicted has been the campaign by some of the City's blggest brokers against the competing market maker system, outlined as option four in the paper. These brokers object strongly to yielding dual capacity to the registered mar-ket maker – allowing him direct access to the investor, that is, in addition to his primary task of quoting. "live" bid and offer prices at all times. And the jobbers are no less opposed to brokers ducking the responsibilities of the market maker while prospering in good times as a block trader, matching large buy and sell orders entirely at his own discretion.



While option four thus poses sharply conflicting sectional inter-ests increasingly evident in the City debate, it also raises prickly technical dilemmas. Above all, it does not provide for a price/volume ticker tape. Both jobbers and brokers agree that, given relatively thin markets in most UK equities, this innovation could deter market makers and dry up the trading flow. But without it, the fragmented marketplace could be a regulatory nightmare – and liquidity would be threatened by any hig jump in the number of market makers, all hard-

stretched to track the competition. To cut its way through all these problems, the Stock Exchange membership might do worse than return to first principles. There must be scope for more competition in the marketplace - and it must be sought in ways likely to attract more investors, domestic as well as foreign, while also bringing the market more into line with those of market more into line with those of the current jobbing privileges the U.S. and Japan. The key to all would probably establish market this surely must be a continuous, contralised and open market with instant last trade exposure.

The best way of achieving this -

at least within the given timetable is probably via a two-tier market. Those 3,000 or so thinly traded UK equities deemed too sensitive for a ticker tape could be left in a single capacity market operated broadly on traditional lines. This ought to dispel the worst fears of the smaller brokers, who could expect opportunities to consolidate their businesses even in the face of new com-

change. None of the "practical disadvantages' of this noted in the Green Paper appear very convin-

While the Green Paper's slightly sniffy dismissal of the auction system may look inadequate and duc for review, though, it justly draws attention to some of the many diffi-culties encountered in the tortuous development of the specialist's role on the Big Board over the last half century. The central issue here has usually concerned the specialist's right to deal on his own behalf in dition to his primary, largely clerical function as agent broker to all the other broker dealers, co-ordinating and supervising their activities. But the paper might have grasped the wrong end of this stick by suggesting a role "more akin to jobbing" which would only threaten to compound the problems met in the U.S. - and the opposite approach must be worth airing.

Combined features

The result might combine the features of both the nuction and the competing market maker systems. Deprived of his dual capacity, the specialist would bave a key executive function but would lose the right to deal for himself. Orderly and continuous trading could rely to the extent that broker-to-broker dealing did not provide it, as some think it would - on independent market makers broadcasting prices within a restricted electronic network. Giving them direct access to the public in addition to certain of making as an essential role for most leading firms, though block trading as well as agency work would still be available to pure broker dealers. But it might be thought desirable to limit the market-making function much more narrowly and this critical point deserves to be a focus of future discus-

Some overlap, anyway, would ap pear inevitable between the roles of broker dealer and market maker, it would be up to market forces to determine the most advantageous stamission rates and membership tus for a member firm in relation to rules. And setting a tested market- each equity. Most firms, whether place alongside the new could provide a helpful continuity – not least surely combine both roles in time. for the jobbers, but for the wider Some equities might well suffer re-This would leave a premier tier riod. But that seems a price worth of, say 200 companies open to paying for a structure which might broker-to-broker dealing in a dual eventually attract significantly capacity market. In so far as it higher volume and could yet prowould be centralised by a ticker vide for the specialised small parttape and characterised by a sub-nership as well as a broad range of stantial volume of block-trading by broker-dealers, the market would tween them, as so often predicted, resemble the New York Stock Ex- might prove a more hostile terrain.

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Continued from Page 1 sioned with "toy computers that do very little," suggests Dr Juliussen. The withdrawal of Texas Instru- utation for failing to deliver anments, and more recently Timex, nounced products.

among consumers.

achieved only at the talks between unions and employers which restart "I'm still convinced that the con-

sumer wants to buy a home compuler, but there is dearth of products in the \$500 to \$1,000 range where most potential buyers fit," says Dr Juliussen. "There are a lot of mass merchants bunting for products, but the ones that bave are not

Home computer makers must solve the critical consumer questions: Why tuy a home computer? And why buy one now? To date, the answers.

ing scores of newspapers with emergency editions today, if any at West Germany registered a sharp fall in its current account sursharp fall in its current account sur-plus in the first four months of this year, according to figures from the ment shake-up, analysis point out. Federal Statistics Office yesterday. Although Commodore bas an-

The package about to be unveiled preferably gradual, should precede will contain measures affecting Euroyen liberalisation.

Disappointment with IBM's PCir home computer bas added to uncertainty in the marketplace, and the financial problems of Coleco and Atari have compounded the prob-

ness to strike a deal but the preselling. It is a topsy-turvy market." The computer industry has so far failed," says Atari's Mr Morgan, "to provide a compelling reason for

Although Commodore bas an-

Home computers run out of steam

from the market created confusion

consumers to buy home compu-ters." His worry is shared by competitors at IBM, Tandy and Appeople in the components, car and other ancillary industries will be

dors. Without a steady supply of

Atari does not plan any major bome computer product introductions this year, according to Mr Morgan. The Atari 800 has sold well since its introduction last year, say industry analysis, that the company's financial problems bave frightened away many potential buyers.

tender in the U.S. market.

they do not appear to bave provided Commodore, with its Model 64, bolds the lead in the under - \$1,000 home computer field. But the com- sion. Market researchers predict pany bas not increased its sbare of

Tandy's fladio Sback bome com-puters have failed to gain the sup-port of third party software vennew programmes the Radio Sback computers have become a disap-

pointment to early purchasers.

Without Timex, Sinclair of the UK is not taken seriously as a con-Coleco's Adam, also introduced last year, has been beset with reliahility problems. The company has severely cut production plans and is

market unless there is a major surge in demand, say analysts. IBM's home computer, the PCjr, bas proved the biggest disappoint-ment of the market. The machine that was supposed to "legitimise" the bome computer bad the opposite effect by creating more confu-

that number could be halved, they

that IBM will sell about 200,000

units this year, but unless improved versions of the PCjr, are introduced

The nine money centre banks, which have had the benefit of

Mr Martin, speaking on televi-sion yesterday, strongly denied that the U.S. was on the brink of a major

\$4.4bn of extra capital, have been able to reduce their relative exposure only from 139.4 per cent to 126.3 per cent of their capital. The next 15 biggest U.S. banks bave been less successful still managing to cut their relative exposure from 96.1 per cent to 91.9 per cent - half the rate of reduction of the money centre banks.

Continued from Page 1 per cent of their capital base in June 1982.

Fed pledge



SECTION II – COMPANIES AND MARKETS

FINANCIALTIMES

Tuesday May 29 1984



U.S. worries raise doubts on trend of loan conditions

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

RENEWED worries about the health of the U.S. banking system day with more than \$500m sold last week raised new doubts about down in the market. the trend of loan conditions in the Eurocredit market.

which have become the norm for general borrower protest over ristop-rated borrowers this year sud-ing rates, Argentina this Thursday denly seem rather risky after faces a new deadline in its efforts to Thursday's savage sell-off of U.S. bank shares on Wall Street.

There may have been no apparent justification for the stock market behaviour, but it serves as a blunt reminder of the fragility of financial markets at the moment. If that an agreement with the IMF that fragility were ever to spill over was close and should be in place by into the interbank market, low- June 15, but many bankers are still margin loans would become hard to sceptical fund at a profit for many banks and

Papaefstratiou, a senior Bank of Greece official, said on Wednesday of this year as well as for a new his country would wait for a few money loan of up to \$3bn. Argentiweeks to let the market settle down before announcing its next borrowing. By Friday it was clear that oth- in maturing debt, and these pro-

Combined lett

All are watching the progress of Denmark's \$1bn standby credit launched through Manufacturers that the syndicated loan market bas Hanover last Monday on terms that provoked at best a mixed reaction. the launch of another deal for the A strong body of opinion in the Soviet Foreign Trade Bank which is market argues that its facility fee of to be assembled mainly among Ar-0.05 per cent is simply too low to

make economic sense.

The general shortage of new business means that the deal should hardly flop, but what counts more is the quality of the lead management group and the ease with which it is assembled - and that will only become clear in the course of this

The Danish loan follows bard on the heels of another tightly priced deal, the \$1.5bn back-up to Sweden's recent floating rate note issue in the U.S.

Syndication closed last Wednes-

It is not surprising that Latin America has been returned to the list Wafer-thin interest margins of banking worries. Besides the negotiate an economic programme with the IMF. Without it the rescue programme put in place last March by Mexico, Brazil, Venezuela and

Colombia could unravel. Argentine officials said last week

Even if Argentina does make rapconditions might have to tighten.

Against this background a climate of unusual hesitancy pervades the Eurocredit market. Mr Stratis asked to reschedule loans falling due between late 1982 and the end na also wants Westero governments to reschedule about \$1.5bn. er borrowers, too, were standing on the sidelines. tracted talks could see at any time a revival of general hanking uncer-

> This does not mean, however, completely dried up. Last week saw the launch of another deal for the ab banks by the Paris-based FRAB Bank International. The club deal is for \$100m over five years at a margin of % per cent above Eurodollar rates and repayments will begin after a grace period of 21/2 years.

> In the Far East terms have been set on a \$300m, eight-year credit being sought by Korea Eximbank. It will bear interest at % per cent over the mean of the bid and offered rates for London interbank dollar deposits for the first two years, and % per cent above the slightly higher offered rate for the remaining six.

Eurobond nervousness spurs flight to quality

May 28 98,919

the dollar sector.

BHF Bank bond average

yielding more than 15 per cent.

This was in evidence last week in

Of the new issues launched, two

did conspicuously better than the

(guaranteed by Japan) and the Rockefeller Group (guaranteed by Aetna Life and Casualty) launched

13% per cent bonds which sold well

99,930

98,056

BY MARY ANN SIEGHART IN LONDON

THE RELENTLESS slide in Eurobond prices continued last week ncreased nervousness over the stability of the world banking system and, in particular, of U.S. banks with a large exposure to less developed countries' debt.

This nervousness has been in evince to a certain extent since the Mexican crisis in the summer of 1982. But until the recent sharp rise in interest rates, most pundits felt that an ad boc solution could be reached and that a world recovery would allow the debtor countries to muddle through.

Now investor attention is being focused more on the creditors than rest. Export Import Bank of Japan the debtors. The spate of rumours about Continental Illinois a fortnight ago was followed last week by scares about other U.S. banks, and especially those with large loans to

Argentina. As a result, the spread between the yields on bank bonds and those of top-rated sovereigns, supranathe subject of the rumours have been particularly hadly hit. Conti- of more than 2 points. The reason over is low.

was that the New York market crumbled as the issue was launched and the name did not carry the rarity value that might have tempted nvestors regardless.

Coupons have now got to a point where borrowers are loath to borrow fixed rate money (though some nental Illinois dollar bonds are bankers remember their potential yielding well over 16 per cent, while borrowers complaining last year they did not want to issue bonds Manufacturers Hanover's paper is In this sort of highly-strung marwhile coupons were still in double

> The floating rate note market seems slightly healthier. Three banks launched new deals last week and all traded at discounts within their fees.

Continental European markets have caught the jitters too. In the D-Mark sector, last week's only scheduled issue - a DM 150m bond within their selling concessions. for the Council of Europe - was Both are rare triple-A rated borrow-postponed twice

nearly a point on the week - a sub- place with other banks for a fixed Caisse Nationale des Telecommunications, by contrast, though it too stantial loss in that market, which period, anything from a day to tionals and corporations has widened. The banks which have been more on its coupon and still found lar and D-Mark counterparts. Indeposit (CDs) which banks sell to the bond languishing at a discount vestors there are nervous and turn-

EURODOLLAR DEPOSITS

Crisis payment forced upon major banks with problems

NERVOUSNESS about U.S. banks may have held the world in its thrall in the last few days. But much of the drama was actually played out at some distance from America's shores: in the trillion-dollar Euromarkets where U.S. banks raise their money, mostly through

Trading in these acutely sensitive markets ranged from "frantic to fro-zen" according to one dealer, as Continental Illinois tottered on the brink and rumours swirled about other U.S. banks in trouble. They had calmed down by the weekend but trading was still said to be neryous and thin.

The market for Eurodollar deposits (which is largely conducted by the banks themselves) is, after the domestic U.S. market, the largest financial market in the world. It consists of two separate but closely linked parts: large deposits which In Switzerland, prices fell by banks and cash-rich institutions investors, who may re-sell them into a secondary market.

Interest rates move in tandem, tiates between banks and forces but tend to be slightly lower on CDs because investors can get their Last week a gap opened up between money back at any time simply by Manufacturers Hanover's paper and that of Morgan Guaranty. America's ready to buy them back). To get denosite back them back to be a few to b get deposits back, they have to But Manufacturers stayed on the "hreak" them and pay a penalty.

Though Eurodollar rates closely follow domestic U.S. rates, they are usually a little higher to offset the fact that banks have to put up reserves with the Fed on domestically raised deposits (the Fed also re- willing to sell CDs, and investors quires reserves on Eurodeposits were only interested in the shortest brought into the U.S.).

The markets are very much at the sbarp end of the world banking big UK clearing banks plus the system, and the ability of a big in-strongest non-run U.S. banks and ternational bonk to tap them - and top Continental European banks, on good terms - is crucial to its The large Japanese banks, which standing, which is why bankers are are more recent arrivals, are also very touchy about them.

have commanded the finest terms. its money than the top tier. These are the nine higgest banks which belong to "the run," the do- where banks pay bigger premiums mestic market for top quality CDs. the lower they go. Normally, they trade on identical times of crisis, the market differen- ing banks

those with problems to pay more. "run." Two years ago. Continental was forced off it after the Penn Square fiasco.

Even so, dealers said it was hard to gauge how much differentiation there was because few banks were possible maturities.

The next tier down consists of the increasingly highly regarded. This Traditionally the top U.S. banks tier pays up to per cent more for

Below that there are more tiers

"Tiering" becomes more obvious terms, and dealers accept paper without asking who issued it. But at their money with the soundest-look-

						NEW INTER	OITAN	nal bond issue	S						
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %	Borrowers	Amount m.	Matunty	Av. tife years	Coupon 4/o	Price	Lead Manager	Offer year
U.S. DOLLARS Intex \$1 Credit Lynnais † Credit Lynnais † Sansung †1	58 308 75 39	1999 1895 1991 1994	15 12 7 10	3 1/4 131/4 1/4	100 100 100 100	Mikto Europe, Rist. Fleming, Nicsuhishi Fin. Cretit Lyomais Salomor Bros. Mgn. Garranty, LTCE Cont. M. Parbas Asia, Yamaichi i	3.000	SWISS FRANCS Finland ""; PKN Austalt ""; Japan Devl. Bank Masda "\$ Nichiobishin ""5	68 70 190 100 20	1990 1989 1984 1989 1989		6 6 - 2 1 ³ / ₄	100 100 - 100 100	UBS CS SBC UBS Handelsbank	5.00 6.00
CONT † Toyo Trust † Toyo Trust † Keisawurt Benson (2) (b) † Rockefeller Groep †	198 100 150 188	1991 1999 1996 1989	7 15 12 5	133/4 Vs V4 13Va	100 100 100 993/4	BNP. CSFB CSFB, Toyo Trust Intl., Nomera Sal. Bros. CSFB Morgan Gueranty	13.758 - 13,322	GUILDERS Jutland Tel. Co. ‡ EIB Aegon ‡	50 300 100	1994 1994 1989	8 8 5	91/4 83/4 83/4	100.5 100	Amro Bank Amro Bank, ABN Amro Bank, ABN	9.17 8.25
CANADIAN DOLLARS Hydro Comboc SWISS FRANCS	50	1991	7	14	188	Marill Lynch		ECUs EEC ‡ 98J	50 40	1991 1983	7 5	11¼ 11¼	198 109	SBCI, CSFB, UBS Secs.	11.25
Stvin-Etsu Chunical **5.; Tayonokuing Co. **5.; EBS Zojiushi Vacuno: **;	30 50 100 20	1989 1989 1994 1989	-	13/4 2 	188 199 188	IIBS SBC CS Wirtschafts- und Privetbeuk	1.750 2.890 5.125	YEN New Zasland ‡ Council of Europe ‡	15bn 20bn	1998 1994	6 9	71/8 7.5	99¾ 100	Daiwa Sees. Daiwa Sees.	7.30 7.64

This announcement appears as a matter of record only The **Council of Europe Resettlement Fund** for National Refugees and Over-Population in Europe £50,000,000 11%% Bonds 1992 Issue price 100%

Hill Samuel & Co. Limited

Bank Brussel Lambert N.V. Banque Internationale à Luxembourg S.A. Barclays Bank Group Baring Brothers & Co., Limited Banque Nationale de Paris Berliner Handels- und Frankfurter Bank Commerzbank Aktiengesellschaft Creditanstalt-Bankverein Crédit Lyonnais County Bank Limited European Banking Company Limited **IBJ International Limited** Daiwa Europe Limited Kleinwort, Benson Limited . Lloyds Bank International Limited LTCB International Limited Mitsubishi Finance International Limited Orion Royal Bank Limited N. M. Rothschild & Sons Limited Sanwa Bank (Underwriters) Limited J. Henry Schroder Wagg & Co. Wood Gundy Limited S. G. Warburg & Co. Ltd. Société Générale

29th May, 1984

Yamaichi International (Europe) Limited



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Caisse Générale d'Epargne et de Retraite/Algemene Spaar-en Lijfrentekas Banque Internationale à Luxembourg S.A. Amro International Limited Caisse des Dépôts et Consignations Caisse d'Epargne de l'Etat, Banque de l'Etat, Luxembourg

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> > 29th May, 1984

U.S. BONDS

Crisis of confidence over talk of bank liquidity problems

markets open again today ing market problems—or those following a much-needed of the domestic and interextended week-end break from national financial system—while the fear, rumours and turmoil remaining deeply concerned that characterised troding late about the pace of growth in the

The credit market started the week in o now familiar rut, but inflation. on Thursday, a spate of strongly denied rumours about liquidity problems at several major U.S. banks—said to have originated in Europe—coused a crisis of investor confidence.

In a classic "flight to quality" investors scrambled for the shortest and most secure securities they could find—U.S. government Treasury bills. T-bill rates plunged while certificate of deposit rates soured and longer maturities just sank. The ripples were felt through-

U.S. INTEREST RATES (%) Wask Wask

out the whole of the U.S. financial system. Events last week showed the sheer fragility of the U.S. mar-kets. The trigger for the scute investor caution was the run on Continental Illinois two weeks see which has focused attention

ago which has focused attention of U.S. banks in general, and particularly on their exposure to less developed countries (LDCs).

This crisis of confidence, which resulted in o dramatic which resulted in o dramatic wield 13 70 per cent.

steepening of the yield curve to yield 13.70 per cent. 369 basis points—the most posi-tive since World War II (with the exception of August and mering led by municipal issues September 1982 when the first which closed the week down phase of the international debt one to two full points following crisis was just sinking in) the revelation by the City of coincided with o Federal San Jose, California, of a \$60m loss on its government bond Federal Open Market Committee (FOMC) meeting, and in the corporate markets the release of the March FOMC prices were marked driwn by record late on Friday.

prices were marked driwn by about a point in light trading.

Wall Street economists see New the Fed as being unable to light. alter its current monetary tack significantly in either direction

THE TROUBLED U.S. financial for fear of further compound domestic economy and a per-cieved threat of renewed

> As a result they believe Fed policy is in a holding pattern with a widely expected firming currently ruled out by other factors. They are therefore beginning to look of other alternatives for the Fed.

Specifically there is new talk of some form of credit controls but this probably depends on the performance of the markets and the economy in coming weeks and on whether the Fed and the President would dare take such a drastic step in an election year.

open to the Fed appears to be narrowing. While the latest economic statistics tended to confirm the increasingly worrisome strong growth in the economy, and consumer prices showed a larger than expected 0.5 per cent increase in April 0.5 per cent increase in April, the credit and money markets appeared at times paralysed by

At the close on Friday the yield curve still showed the hallmarks of o deeply troubled market. For example the yield differential between 3-month In contrast the spread between

Other sections of the U.S. credit markets also took a hamone to two full points following ths revelation by the City of San Jose, California, of a \$60m In the corporate markets

orporate markets marked dnwn by in light trading, activity remained

Paul Taylor

Type Dr. Gerard Balliner, former bead of the Liechtenstein Government, and Dr. Rudolf Stanh, general manager of Winterflur Swiss Insurance Company, have been appointed to the board of VERWALTUNGS-UND PRIVAT-BANK, Yaduz. New issue activity remained

Nippon Oil and Mitsubishi Oil in co-operation deal

NIPPON OIL. Japan's biggest too much capacity and too many tanks jointly. The committee pected to produce a grouping with around 25 per cent of the domestic oil products market.

The deal is the letest and potentially most important in a series of tie-ups, mergers, and co-operation agreements among decided on the extent of the letest of tie-ups, mergers, and co-operation agreements among decided on the extent of the letters are series of tie-ups, mergers, and co-operation agreements among decided on the extent of the letters are series of tie-ups, mergers, and co-operation agreements among decided on the extent of the letters of differing degrees.

Nippon said.

Starting with the merger of refinery operations of series of the letters and the sale and distribution of collections of the letters and the sale and distribution of collections. Starting with the merger of marketing districts, not collected to the sale and distribution of collections.

Starting with the merger of marketing districts, not collected to the sale and distribution of collected to the sale and dist

oil distributor, and Mitsubishi participants.

Oil, the fifth largest, yesterday

announced B wide-ranging companies said would belp intrusions into each other's co-operation agreement extended to be a covers crude oil prime marketing districts.

Japanese oil companies. That cross-bolding. "groups" of differing degrees country's Ministry of Inter The companies will set up of co-operation. In some cases, national Trade and Industry is a joint committee to discuss the talks are only at the preencouraging the links in order details such as chartering and liminary slage, but closer ties to rationalise a loss-plagued scheduling tankers, purchasing between the companies are exindustry which it believes has crude and using oil storage pected.

Swire Pacific sees profits rise

Mr Fredy Dellis, president of the Europe, Africa, Middle East and Canada division of the HERTZ CORPORATION, has

Hertz Europe. Mr Hambly returns to the European head-quarters following 12 months as general manager of Hertz in the UK. Mr Chris Kelly, who has also completed a 12-month job

Swire Pacific's profits in-

crease would come from strong growth at Cathay Pacific, the airline in which Swire bas a 70 per cent stake, and improvements in industrial and trading activities. Profits from property businesses and shipping would be lower, Mr Micbael Miles, Swire Pacific's chairman, pre-

Mr Miles explained the ex pected fall in Swire Properties profits would result from investment property sales down from HK\$131.8m in 1983 to an expected HK\$50m this year.

Conic Investment, which with

expects recovery in 1984-85

NET EARNINGS at Thomas

Nationwide Transport, the Australian-based freight group, fell sharply to A\$1.9m in the third quarter to March 31 under the pressure of beavy losses on its trans-Atlantic shipping and U.S. road freight operations. For the nine months earnings were down 42 per cent from 8

depressed total of A\$29.2m to A\$17m but the company expects full year profits roughly in line with the halved total of A\$31m achieved in 1982-83 and signifi-cantly higher 1984-85 earnings. The third quarter is traditionally the lowest for TNT, although the latest result compares with A\$3.8m last time and A\$10m in 1981-82. The earnings forecast points to final quarter profits of around

AS14m, which will reflect the reduction in losses on the North Atlantic, where its Trans Freight Lines subsidiary will gain the benefits of a more stable and higher-priced market flowing from the March 1 setting of new U.S. Europe conference rates. These operations ran up losses of around A\$20m in the first balf of the current year.

An unchanged third interim dividend of 3 per cent o share has been declared for a ninemonths' total of 9 cents on earnings per share for the three quarters of 8.4 cents against 14.5

Second stock market for Johannesburg

BY I'M JONES IN JOHANNESBURG

of establishing a second market for small, new companies which do nnt otherwise qualify for a market, to be known as the Development Capital Market (DCM), is an essential development, says Mr Paul Ferguson, the outgoing JSE president.

remarkable success of London's unlisted securities market and New York's over-the-counter market, Mr Ferguson added.

The proposals bove still to be approved by the Registrar of Financial Institutions, but the exchange is confident that this will be forthcoming even If certain modifications to the proposals are needed. Guidelines

This has been proved by the

for a listing on the DCM are that o company should have a normal share capital and reserves of at least R0.5m (\$0.4m); at least 1m shares in issue; an acceptable two-year trading record and o current sudited taxed profit of R150,000 (though this requirement can be waived in the case of mining companies); at least 10 per cent of the issued shares held by the public; and Bt least 75 sharebolders.
Fedfood, the South African

food group, has reported in-creased turnover and profits, due mainly to better pelagic fisb catches in Namibian waters and improved results

Johannesburg Stock from the bakery division. Turn-Exchange (JSE) is on the verga over increased by 10.8 per cent to R720.7m in the year to March from R650.2m in the preceding year. Operating income listing on the main stock before interest and tax rose exchange board. The new by 17.2 per cent to R52.9m hy 17.2 per cent to R52.9m from R45.1m.

Mr Jan Louw, the managing director, says the hakery div-islon benefited from rationalisation of delivery areas and a switch by black consumers to bread away from maize meal. He adds that the maize milling and edible oil division was unly able to maintain market share under difficult trading condi-

A total dividend of 30 cents has been declared from carn-ings of 82 cents a share. In the previous year earnings were 65 cents a share and a total dividend of 27 cents was declared.

Argus, the South African
newspaper group which publishes the Star and the Cape Argus, increased pre-tax profit significantly during the 13 months to March following the consolidation of the printing company, Hortors and the stationery and records group, CNA-Gallo. Pre-tax profit was R46.7m against R20.9m in the

preceding year.
A total dividend of 375 cents has been declared from earnings of 1,165 cents a share. In the preceding year earnings were 908 cents a share and a dividend of 300 cents was

SWIRE PACIFIC, the Hong also forecast that Swire Pro-Kong conglomerate with in-terests ranging from sviation dated profits of HK\$290m this and sbipping to industry and year, a 12.2 per cent fall from and shipping to industry and general trading, yesterday forecast consolidated profits for 1984 of not less than HK\$1bn (US\$128m) which would represent a 14.9 per cent increase on a 14.9 per cent increase on a strong growth at Cathay Pacific, the airline in which Swire bas 1983

The forecast was made in a document detailing the group's HK\$1.24bn cash and shares offer for the 27.5 per cent stake in Swire Properties that it does Swire not already own. The parent dicted.

New president

International

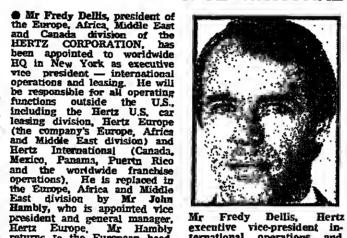
VISA INTERNATIONAL and VISA USA have elected Mr Charles T. Russell as president and chief executive officer of both organisations succeeding Mr D. M. Hock who has been elected an sdviser to both boards, Mr Russell was president and chief operating officer of Visa USA and executive vice president of Visa International.

Dr Gerard Batliner, former

for Visa

its private associate Honic is Hong Kong's largest electronics group, yesterday announced further delay in publication of its 1983 result. Trading in the group's shares was suspended on May 17 after an announcement that substantial debts owed by a major shareholder

INTERNATIONAL APPOINTMENTS



Mr Fredy Dellis, Hertz executive vice-president inoperations leasing

rotation at Hertz Europe in Cranford, Middlesex, takes con-

Sank of Tokyo 117, 90

Beneficial O/S F, 12 91

Criticorg 0/S 113, 99

NOC 111, 91 WW

SONC 117, 91 WW

SONC

SWISS FRANC
STRAIGHTS
| Issued Asian Ogy, Bank 6 94... 100
Australa Comm. 5*, 96 50
Austria Rapublic 5*, 94... 150
Cofiroute 7 94 ... 200
EIB 6*, 96 ... 200
EIB 6*,

SWISS FRANC

trol of the UK car rental opera-tions as managing director, Hertz BP CHEMICALS INTER-NATIONAL has appointed Mr Michael Depraetère as business general manager, polyolefins, from July 1. He will be based in Geneva and will be taking over from Mr J. N. Tarabnil who became a director of BP Chemicals in December 1983. While remaining president direc-teur of BP Chemicals (Sulsse) SA, Mr Turnbull plans to move from Geneva to London in the summer of this year, from which time Mr Depraetere will oct for him in respect of day-to-day management and co-ordination of BP Chemicals (Suisse) SA. of BP Chemicals (SUSSE) SA.

■ Mr G. F. J. Asbton, Mr S. M.
Gazal and Mr I. E. Joye bave
resigned as directors of NORTH
KALGURLI MINES. Mr P. G.
Beckwith, Mr P. C. Lucas and
Mr R. A. Pearce hove joined the

• COMMODORE INTER-NATIONAL has named Mr Alexander M. Haig. Jr, former U.S. Secretary of State, to Its board. He has also been retained as a consultant to the company. Mr R. J. Angel has been appointed manager, international planning co-ordination, in the marketing and refining division of MOBIL OIL in New York, from June 1. He was director of manufacturing operations for Mobil Oil and manager of Mobil's UK refinery at Coryton

in Essex. Mr Ronald Lagden, president-Europe for international grocery products, becomes QUAKER products, becomes QUAKER
OATS chairman-Europe, from
October 1. His role will change
from executive direction of
Quaker businesses in continental Europe to a senior odvisory capacity with emphasis on longerterm development. He will remain on the boards of Quaker

companies in the UK, France, Benelux, Italy, Scandinavia and Germany, and he will continue to be based in Brussels for the foreseeable future. Dr Alfred Hartmann, vice-chairman of F. HOFFMANN-LA ROCHE AND CIE, Basle, and until 1979 the company's manag-

ing director has decided to resign from the Roche board for professional reasons. Dr Hartmann is currently general manager of the Rothschild Bank, Zurich. At the company's June 6 share-holders' meeting, Dr Raymond Probst, former Secretary of State in the Swice Foreign Office, is to in the Swiss Foreign Office, is to be nominated for election to the board with o view to becoming vice-chairman in place of Dr

Hartmann.

• Mr Clande I. Taylor has been oppointed full-time chairman of the board, and Mr Pierre J. Jeanniet becomes president and chief executive officer of AIR CANADA, from June 1.

The STEAM ENGINE . 3 near Dudley: Cafile . Insented by Gapt: Savery, & M! Newcomen Erected by 5 later. 1712 dela por Soule by & Barry 1:10 The Industrial Revolution was made possible by Thomas Newcomen, the first man to devise e practical method of hamessing steam, in 1712. The financier John Meres' contribution was to harness some £21,600 capital in 1715 without which

FINANCIAL ENGINEERING

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European Banking Company S.A. Brussels, Boulevard du Souverain 100, B-1170 Brussels. Telephone: (02) 660 49 00 Telex: 23846

FT INTERNATIONAL BOND SERVICE

YEN STRAIGHTS Asian Oev. Bk. 7

Change on

8id Offer day week Yield

93's 94's -0's 0 13.13

94's 94's -0's 0 13.11

194's 94's -0's 13.22

194's 95's -0's -0's 13.22

194's 95's -0's -0 12.69

196's 95's -0's -0 2.13.05

194's 95's 0 +0's 11.51

196's 97's -0's 0 +0's 11.51

196's 97's -0's 0 +0's 11.51

196's 95's +0's -0's 8.23

83 99's +0's -0's 8.23

83 99's +0's -0's 8.33

96's 96's 0 0 8.38

100's 101's 0 -0's 8.97

100's 101's 0 -0's 8.97

100's 101's 0 -0's 13.93

101's 102's -0's -0's 12.60

101's 102's -0's -0's 12.45

101's 98's 98's -0's -0's 12.45

101's 98's 98's -0's -0's 12.45

101's -0's -0's 12.11

102's 98's -0's -0's 12.11 FOATING RATE

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EUROBOND TURNOVER (nominal value in \$m)

Cedel clear U.S. \$ bonds

Other bonds Last week ... 1,765.7 2,011.4 Previous week 1,724.6 1,732.3

* No information availableprevious day's price. † Only one market maker

supplied o price. STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change nver price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six month offered rate (three-month; s shove mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current wield coupon. yield.

CONVERTIBLE BONDS: De-

nominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnals; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg; SA; Banquo Interoationale Luxembourg; Kredietbank Luxembourg; Algemenc Bank Nederland NV; Algemenc Bank Nederland NV;

Algemenc Bank Nederland NV; Pierson, Heldring and Pierson: Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Southers; Bank of Tokyo International; Blyth, Eastman, Paine, Webber International; Chase Manhattan; Ckdcorp International Bank; Credit Commercial de Franco (Securities) London; Dalwa Barope NV; EBC; First Chicago; Goldman Sachs International; Corporation; Hambros Bank; IBJ International; Mierrell Lynch; Morgan Stanley International; Normura International; Orion Royal Bank; Robert Fleoting and Co.; Samuel Mantagu and Co.; Scandinavian Bank; Societe Generale Strains; Turnipili; Generale Strauss Turnhull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International;

Clusing prices on May 25

Norwegian offshore oil and gas

gineering and trading, still gains more than 50 per cent of its SKr 4.7bn turnover from building materials. It is the

only cement producer in Sweden, as is Norcem in Nor-

As expected, over half the STC board has been replaced

Norcem is already a small

Nordic building materials groups to join forces

BY KEVIN DONE. NORDIC CORRESPONDENT IN STOCKHOLM

EUROC of Sweden and Norcem of Norway, two of the largest is later to be expanded to 15 building materials groups in the per cent. Nordic region, are joining forces in order to improve their competitiveness in international

In deals worth more than SKr 300m (\$37.3m) in total the two companies are acquiring aubstantial minority shareholdings in each other, and each will have representation on the other's main heard. other's main board.

Euroc is to pay NKr 119m and the development of new to purchase 426,500 new shares products for the construction in Norcem giving it a bolding market," be said.

shareholder in the Norwegian oil companies Saga and NOCO (Norwegian Oil Consortium) and it recently acquired a 25 per cent stake in the Norwegian Mr Sven Borelins, Euroc's chief executive, said the deal represented one of the most comprehensive industrial cooperation agreements made be-Aker group, which specialises in offshore fabrication. Euroc, which is also in entween Norwegian and Swedish companies.

"The co-operation is aimed above all at new international projects such as cement terminals and production plants

in Norcem giving it a bolding of 15 per cent.

At the same time Euroc is to issue 510,000 new shares to Norcem for SKr 173m giving the Norwegian company a bold-

Steinberg expected to raise stake in Disney

THE STRUGGLE for control of Walt Disney Productions is likely to come to a head today when Mr Saul Steinberg is exween MY Sain Steinberg is ex-pected to launch his loog-awaited move to increase his stake in the film and entertain-ment group.

Wall Street believes that the Wall Street believes that the Marriott hotel chain is considering joining Mr Stemberg in a bid for 49 per cent of the Disney equity, which would cost about \$900m. The stock market expects a bid of between \$70 and \$73 a share for the Disney stock, which closed ahead of the Memorial Day weekend at \$673 after a day of beavy trading.

Mr Steinberg's private com-pany, Reliance Holdings, al-ready has 12.2 per cent of the Disney common stock and last week received clearance from the Federal Trade Commission to increase the stake to 49.9 per cent. Still in doubt, however, is whether Mr Steinberg would settle for 49.9 per cect or use this as a base for a full bld. In a move to thwart any unboard agreed a week ago to link uo with the Bass brothers of Texas, by purchasing for \$200m Arvida, their private, family-controlled company, which has substantial land holdings in

Group given 60 days to bid for MGIC

A MANAGEMENT group which is considering making a buyout offer for MGIC Investment, the mortgage insurance subsidiary of Baldwin-United, is believed to have been granted 60 days to put together its proposal before a Masters Commission of the Arkansas and Indiana courts rules on any rival offer.
Baldwin, which filed under
Chapter 11 of the federal
bankruptcy code last September, paid \$1.2bn for MGIC.
My Victor Palmieri, chairman

By Terry Byland in New York

Volvo unit blames consultants

SCANDINAVIAN Trading Corvision in its 1983 balance sheet poration, the troubled oil trad-of some SKr 500m (\$62m) to positively.

As expected, over balf the sum of Volvo, has blamed the write the Scandrill disposal. huge over-valuation of oil and gas properties in its Scandrill unit on major miscalculations by consultants.

Scandrill has been transferred to Bankers Trust Com-pany of the U.S., which held the oil and gas properties as collateral against a \$105m loan. STC will withdraw from oil production and become a strictly

cover its agreement to underwrite the Scandrill disposal.

The over valuation of Scandrill's assets cost STC SKr 703m. It ran up further losses of SKr 740m last year in its trading operations, it was stated Volvo, which has an 81 percent stake in the company, has been forced to pump in some SKr 760m in new equity in the past year to ensure STC's creditworthiness. The affair has been with plans to lawreh its profit.

duction and become a strictly worthiness. The affair has been with plans to launch its profit-trading operation. an embarrassment at a time able finance subsidiary on the Volvo has already made a pro-when the motor group's profits

EIB announces terms of record

By Walter Ellis in Amsterdam THE European Investment Bank (EIB) yesterday announced the

bond issue

THUTTO 1/2

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Italcementi net earnings show advance of 75%

BY ALAN PRIEDMAN IN MILAN

TALCEMENTI,

the cement mobiliare holding company, Italcompany controlled by Sig Carlo
Pesenti, has reported a 1983 net
profit of L21bn (\$12.4m), up 75

The cement company recorded

issue that is expected to give a considerable boost to the faltering Dutch bond market.

The 10-year issue, leadmanaged by Amsterdam-Rotterdam Bank, with Algemene Bank Nederland as co-lead manager.

Nederland as co-lead manager.

Profit of 12.210n (\$12.4m), up 75 and 1983 turnover of L910bn, up from L869bn the year before. Italecment's 1983 investments were reported to be L600n. Archbishop Paul Marcinkus, Sig Pesenti, who was the chairman of the Vation Dark. managed by Amsterdam-Rotter. dam Bank, with Algemene Bank Nederland as co-lead manager, has a coupon of 8.75 per cent— 0.25 points higher than a state loan earlier this month—and has been priced at 99½ to yield has been priced at 99½ to yield 8.84 per cent.

Mr Victor Paimier, Chairman of Raldwin, said the Milwaukee-based group would seek "at the now collapsed Banco Ambrosiano, is understood to be considering the sale of his subsidiary of the Detroit motor group, denied rumours that it has offered \$200m.

LEVERAGED CAPITAL HOLDINGS N.V. Curação, Netherlands Antilles

Notice of Annual General Meeting of Shareholders

Notice is hereby given that an Annual General Meeting of Shareholders of Leveraged Capital

Holdings N.V. has been called by the Menager. Intimis Management Company N.V. The Meeting will take place at the offices of the Company, John B. Gorsiraweg 6, Willemstad, Curação, Netherlands Antilles on 21st June. 1984 at 10.00 a.m.

The Agenda, the Annual Report for 1983 and further details may be obtained from the offices of the Company or from the Paying Agent mentioned hereunder.

Shareholders will be admitted to the meeting on presentation of their certificates or of vouchers, which may be obtained from the Paying Agent against delivery of certificates on or before 14th June, 1984.

Willemstad, 29th May, 1984.

INTIMIS MANAGEMENT COMPANY N.V.

Paying Agent: Pierson, Haldring & Pierson N.V. Harengracht 214 Amsterdam.



U.S. \$60,000,000 Caixa Geral de Depósitos

> Floating Rate **Deposit Notes 1994**

In accordance with the provisions of the Notes, notice is herby given that the rate of interest for the six months 29th May, 1984 to 29th November, 1984 has been fixed at 1211/16 per cent per annum and that the coupon amount payable on 29th November, 1984 will be U.S. \$648-47 per Note of U.S. \$10,000 and U.S.\$6,484-72 per Note of U.S. \$100,000.



The Sumitomo Bank, Limited

TIME-LIFE OVERSEAS FINANCE CORPORATION N.V.

Notice to the holders of 101% Notes due January 26, 1990, of Time-Life Overseas Finance Corporation N.V.

The 1983 annual financial report of Time-Life Overseas Finance Corporation N.V. and the 1983 Annual Report to Shareholders of Time Incorporated, the Guarantor of the 101% Notes and the parent company of Time-Life Overseas Finance Corporation N.V., may be obtained at the office of Chemical Bank, 180 Strand, London, WC2, the Fiscal Agent for the 101% Notes.

These securitles having been sold ment appears as a matter of record only



£100,000,000

Crédit d'Equipement

des Petites et Moyennes Entreprises

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Guaranteed Floating Rate Notes due 1996

Morgan Stanley International

Morgan Grenfell & Co. Limited

Saudi International Bank

BankAmerica Investment Banking Group Banque Indosuez

Barclays Bank Group County Bank Limited Hambros Bank Limited IBJ International Limited

Lloyds Bank International Limited Mitsubishi Finance International Limited **Nomura International Limited**

Bank of Tokyo International Limited Banque Nationale de Paris Baring Brothers & Co., Limited **Credit Suisse First Boston Limited** Hill Samuel & Co. Limited Lehman Brothers Kuhn Loeb International, Inc.

Manufacturers Hanover Limited Samuel Montagu & Co. Limited Orion Royal Bank Limited

Abridged particulars

Application has been made to the Council of The Slock Exchange for the B Ordinary (Limited Voling) Shares of Reuters Holdings PLC, issued and now being issued, to be admitted to the Official List.

Reuters Holdings PLC Offer for Sale by Tender

S. G. Warburg & Co. Ltd. and N. M. Rothschild & Sons Limited

of 57,000,000 B Ordinary (Limited Voting) Shares ("B Shares") of 10p each (or such other number as may be determined as mentioned in the prospectus) at a Minimum Tender Price of 180p per share.

S. G. Warburg & Co. Ltd. and N. M. Rothschild & Sons Limited have arranged the underwriting of this Offer for Sale in respect of 57,000,000 B Shares. The underwriters include:---

Robert Fleming & Co. Limited Lazard Brothers & Co., Limited Nomura International Limited Potter Partners Swiss Bank Corporation International Limited

Arrangements for a simultaneous offering in the United States of America are being made by:-**Merrill Lynch Capital Markets** Morgan Stanley & Co. Incorporated

	Share Capital	Issued and now bein
Authorised		issued fully paid
3		2
10.500.000	in A Ordinary Shares of 10p each	10,005,168
42,000,000	in B Ordinary (Limited Voting) Shares of 10p each	29,340,419
1	in one Founders Share of £1	1
52,500,001		39,345,588

Applications for the B Shares now being offered for sale must be received by 5.00 p.m. on Friday, 1st June, 1984 except that applications despatched by post and received not later than 10.00 a.m. on Saturday, 2nd June, 1984 will be treated as valid.

Copies of the Prospectus with Application Forms, on the terms of which alone applications may be made, may be obtained from:-

> 33 King William Street London EC4R 9AS Сахелоча & Со 12 Tokenhouse Yard London EC2R 7AN

S. G. Warburg & Co. Ltd.

Bank of Scotland 3rd Floor 55 Old Broad Street London EC2P 2HL

N. M. Rothschild & Sons Limited **New Court** St. Swithin's Lane London EC4 4DU **Hoare Govett Limited** Heron House 319/325 High Helborn London WC1V 7PB **Barclays Bank PLC** New Issues Department P.O. Box 123 Fleetway House

25 Farringdon Street London EC4A 4HD

and all the tollowing branches of Bank of Scotland:-53 Castle Street 11-19 Retorm Street

Dundee DD1 9AU Aberdeen AB9 8AJ

and at the following branches of Barcleys Bank PLC: -P.O. Box 34

London EC2R 7HT 37 Park Row

8 Angel Court

Throgmorton Streat

63 Colmora Row Birmingham B3 2BY P.O. Box No. 357

Registrar Department 26A York Place Edinburgh EH1 3EY

Glasgow G2 5EJ P.O. Box 69

110 St. Vincent Street

P.O. Box 207 40 Corn Street Bristol 8599 7AJ P.O. Box No. 1DA

121 Queen Street Cardiff CF1 15G P.O. Box 2 30 High Street

29th May, 1984

17 York Street Collingwood Street Newcastle-upon-Tyne NE99 1DA Manchester M60 2AU

Southempton SO9 7AB

Simon Eng. sees further progress

gradually present more oppor-tunities to group companies, and "their performance recorded during the recession clearly suggests that they will be able to take advantage of them," he

The recent UK budget should

The recent UK budget should help to improve competitiveness but time will be needed to judge how far it will etimulate investment and exports.

At the end of 1983, cash balances were a "healthy " £59m and the balance sbeet remains strong, "giving ample support to our plans for further expansion," the chairman tells sbarebolders.

He points out, bowever, that

He points out, bowever, that a proportion of these funds represents prepayment on long-term contracts which cannot be mmitted to long-term invest

ment.
In the year, the group turned in a turnover of £379.15m (£362.57m) and a pre-tax profit of £21.72m (£20.66m). The divi-

Revenue before tax of Nineteen Twenty-Eight Investment Trust for the year to March 31, 1984 advanced from £3,16m to £3,33m.

After tax of £1.26m (£1.2m) the net balance emerged at £2.07m (£1.96m) for earnings of

22.07m (21.50m) for earnings of 5.67p (5.25p) per 25p ahare, and the final dividend is 3.5p net for a 5.5p (5.2p) total at a cost of £2m (£1.9m). The net asset value per share rose from 157.5p to 179p over the 12 months.

Taxable profits of Western Dooars Tea Holdings for 1983 showed little change at £53,325 against £54,196, and the dividend

Profits after tax were down from £33,066 to £20,654, while earnings per £1 chare showed 2 decline from 2.3p to 0.83p. There was an extraordinary deblt of £3.675 this time,

Following the requirements of the new Companies' Act and SSAP 20, profits before tax are shown so as to exclude any

is being beld at 4p net.

PROVIDED THERE are no undue delays on large contracts. 1984 should produce a further improvement in the trading performance of Simon Engineering, says the chairman Mr Harry Harrison.

Certain rationalisations bave to be carried out. Operations of Simon-Carves of Canada have been run down and the local offices closed; Allen and Garcia Company (coal preparation plant in the U.S.) has ceased trading and a phased rundown is in hand, to be completed by mid-

Some of the UK activities of the poultry and meat division were discontinued. That involved a complete restructuring of the UK operations, while in the U.S., following rationalisa-tion, Simon Johnson Inc is

developing strongly.
Simon - Croftshaw (solvent recovery plant) is being disposed of, and a suitable provision has been made to cover the

committed to long-term invest ment.

Costs.

Cardinary holders' funds have

fallen to £89m after writing off

Call m in respect of the premiums of accusitions made during the year. offset by the premium of the USM and a provision against leasing costs.

Cardinary holders' funds have

fallen to £89m after writing off

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fallen to £89m after writing off

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Costs.

Costs.

Costs.

Costs.

Costs.

Cardinary holders' funds have

Fallen to £89m after writing off

Call m in respect of the premium of the USM against leasing costs.

Cardinary holders' funds have

Earnings per sbare were up from 2.72p to 3.28p.

The directors state that lt would not be prudent to predict results for the year as a whole accusing the use fallen to £89m after writing off the USM against leasing costs.

Cardinary holders' funds have

Ca

COMPANY NEWS IN BRIEF

for 1983, against £161,000 pre-viously.

adjustments made on currency fluctuation, as these are now credited to profit and loss account reserve direct. Comparative results have been revised, reducing profit on ordinary activities by £100,893.

Trading conditions are improvements and interest are controlled in the USM.

sctivities by £100,893.

* * * * Inading conditions are improving and the directors are confident that pre-tax profits for the year to May 26 will be in excess for 1983, against £161,000 pre-

The net result was lower at £108,000 (£124,000) and earnings per £1 sbare fell to 6.27p (11.56p). However, the net interim dividend is unchanged at from £4.73m to £4.88m. Tax was

6p. From £4.73m to £4.88m. Tax was £165,000 against £166,000, and earnings per share were up from £37,000.

previous year.

11% rise for Radio Clyde in first half

In its first announcement of In its first announcement of results since coming to the USM last February, Radio Clyde, the Glasgow-based commercial radio station, bas reported a 10.9 per cent increase in taxable profits, up from £319,229 to £354,050, in the half year to March 31.

There will be an unchanged interim dividend of 1.25p. The total last time was 3p.

The result was struck on turnovar which increased from £2.12m to £2.32m and is stated after deducting an assumed liability to IBA secondary rental and to Exchequer levy.
The improved turnover was due to a 17.76 per ceut increase

dne to a 17.76 per cent increase in advertising revenue offset by o reduction in revenue to Clyde Electronics. This subsidiary is being closely monitored after o £45.853 lose.

The tax bill chowed little change at £168,000 against £166,000, and an extraordinary debit of £78,000 related to the cost of joining the USM and a provision against leasing costs. Earnings per share were up from 2.72p to 3.28p.

The directors state that It would not be prudent to predict results for tha year as a whole

again expected trading in the first half year to show further benefit from the change in seasonality of the group's busioess. This, be said coo-

and in line with budgets.

In the U.S. home sewing products and hand knittings had been weak, but die-casting had

At the Weir Group agm the chairman Viscount Welr said the company's largest subsidiary, Weir Pumps, experienced a strike lasting more than four weeks in March and April which, he pointed out, clearly would have had an adverse effect on first-half profits.

Accordingly, he said, the luterim dividend was likely to be affected by the same considerations as applied last year.

business, he said.

Mr J. Michael Pickard, the chairman of Grattan said of the annual meeting that the accounts showed a significant recovery from the position twelve months

from the position twelve monthe ago.

He added: "We are proceeding with the modernisation of our business and we expect a satisfactory return to profit for the spring/summer season.

John Menzies had started the year well with turnover for the first 13 weeks showing an increase of 13 per cent and salee in the retail division had proved particularly buoyant, Mr J. M.

BOARD MEETINGS

FUTURE DATES	
Interims	
French (Thomas)	June 7
Keystona investment	June 5
Tomkinsons	June 8
Tridont Television	Juna S
Finals	_
Airflow Streamlines	June 4
Associated Heat Services	Juna 14
De La Rue	June 5
Elswick_Happer	June 7
Freshbaka Foods	May 31
Investment Co	May 30
Lanca	June 1
Sketchley	June 6
Samle	Juna 8

In its first figures since joining the Unlisted Securities
Market, John Keut, menswear retailer, reports pre-tax profits virtually unchanged at £330,000, compared with £320,000, for the 26 weeks to November 28 1983.

The company was a wholly-This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange in London. It does not constitute on offer of, or an invitation to

subscribe for or otherwise to acquire, any shares in Amer Group Ltd.

AMER GROUP LTD

(Incorporated in Finland with limited liability)

SHARE CAPITAL	•
	ISSUED
A-shares of FIM 20 each Restricted Free	4,207,200 600,000
K-shares of FIM 20 each Restricted	1,382,400
	6,189,600
	A-shares of FIM 20 each Restricted Free K-shares of FIM 20 each

The Cauncil of The Stock Exchange In London has admitted the free A-shares of Amer Group Ltd to the Official List. The free A-shares are also listed an the Helsinki Stock Exchange. Particulars relating to Amer Group Ltd are available in the statistical service of Extel Statistical Services Limited and will be available during narmal business hours an any weekday (Saturdays and public holidays excepted) up to and Including 12th June, 1984 from:—

MORGAN GRENFELL & CO. LIMITED 23 Great Winchester Street London EC2P 2AX

KANSALLIS-OSAKE-PANKKI Aleksanterinkatu 42 00100 Helsinki 10

CAZENOVE & CO. 12 Tokenhause Yard, London EC2R 7AN and at The Stock Exchange

CHANGE OF ADDRESS S. G. Warburg & Co. Ltd.

has moved to

33 King William Street, London EC4R 9AS.

Telephone: 01-280 2222

: 22941 SGWLON G Cables : Warburco, London

S.W.I.F.T.: SGWLGB22

Facsimile: Gp 1/2: 01-280 2810 Gp 2/3: 01-280 2820 Gp 3:01-280 2830

Coats Patons' world sales 10% ahead at four months

He added that the company

At the Weir Group agm the

siderations as applied last year. However, he still stood by his original view that there was the

AT THE AGM of Coats Patons, Menzies, charman, said at the Mr W. D. Coats, the chairman, agm. said that world sales for the first four mooths of the year were 10 per cent above those for 1983

been strong, as had all its precision engineering operations in other parts of the marks. This, be said, coo-firmed expectations of a further increase in group profits for the current year.

in other parts of the world.

Overall results had been in line with expectations and the board remained confident that 1984 would above continued improvement in the company's business, he said.

original view that there was the prospect of some Improvement in profit for the full year.

Sharebolders at the Fogarty annual meeting were told by Mr C. R. W. Fleet, the chairman, that sales of bousehold textiles continued not to reflect the general bnoyancy of relail sales. However, given the normal seasonal npturn in the second half he was bopeful of a satisfactory outcome for the year.

Mr Ken Roban, chairman of the Rohan Group, said at the AGM; "I am happy to emphasise that your group is well positioned in terms of financial strength and management on the ground to capitalise oo opportunities as they are occurring Tod (W. and J.) (Industrials)

The falawing companies have natified detes of board moetings to the Stock Exchange. Buch meatings are usually held for the surposes of canadaring dividends. Official indications are not available as to whether the dividends are interims or finels and the subdivisions shown below are besod meinly an last year's timetable. TODAY

Titlet	uns-City	Sire Est	ates. Edin-
burgh	Financial	Trual	Hardangar
Prepert	ies, Leigu	retime Ir	ternational,
Pyke H	loldings, Un	lion Steal	Corporation
	uth Africa)		
			Illiad-Lyons,
			an, Audla-
			ries. Cobra
			sted Mur-
			Trensves!
			Electricale,
			rtebeestion-
			e, Maurica
			Southwest
Bosonv	cae, Zandp	an Gold I	Mining.
	FUTUR	E DATES	

Interims	
French (Thomas)	8 enut
Finals— Airflow Streamlings Azeaciated Heat Services De Le Rue Elswick Happer	June 4 June 14 June 5 June 7
Freshbaka Foods	May 31 May 30 June 1 June 6 Juna 8

BARCLAYS BANK

Prime Account P.O. Box 125 Northampton NN1 1SU Prime Account interest rate 8.75% nominal 9.04% APR

BARCLAYS Barclays Bank PLC Reg. No. 48839 Reg. Office:

A.B.N. Bank	9 %	■ Hill Samuel 91%
Allied Irish Bank	914	C. Hoare & Co † 9 %
Amro Bank	9 %	Hongkong & Sbanghai 9 %
Henry Ansbacher	91.6	Kingsporth Trust Ltd 10 %
Associates Cap. Corp.	9 %	Knowsley & Co. Ltd. 91%
Banco de Bilbao	94 cg	Lloyds Bank 9 %
Bank HapoaUm BM	9 %	Mallinhall Limited 9 %
BCCI	94 %	Edward Manson & Co. 101%
Bank of Ireland	9196	Meghraj and Sons Ltd. 91%
Bank of Cyprus	91%	Midland Bank 91%
Bank of India	91%	■ Morgan Greufell 9 %
Bank of Scotland	91%	■ Morgan Grenfell 9 % National Bk. of Kuwait 9 %
Banque Belge Ltd	91%	National Glrobank 9 %
Barclays Bank	91%	
Beneficial Trust Ltd	10 %	Norwich Gen. Tst 91%
Bremar Holdings Ltd.	9 %	People's Tst. & Sv. Ltd. 10 %
Brit, Bank of Mid. East	9 %	R. Raphael & Sons 9 %
■ Brown Shipley	21%	P. S. Refson & Co 91%
CL Bank Nederland	9 %	Roxburghe Guarantee 91%
Canada Permn't Trust	9 %	Royal Trust Co. Canada 91%
Castle Court Trust Ltd.	9105	Royal Trust Co. Canada 91% J Henry Schroder Wagg 9 %
Cayzer Lid	91%	Standard Chartered 91%
Cedar Holdings	9 %	Standard Chartered 91% Trade Dev. Bank 91%
Charterbouse Japbet	91%	TCR G G
	1018	
Citibank NA	101.00	United Bank of Kuwait 9 %
Citibank Carriage 6		United Bank of Kuwait 9 % United Mizrahi Bank 9 %
Citibank Savings¶	31.0	Volkskas Limited 91%
Clydesdale Bank	.77.39	
C. E. Coates	TO 1.0	Westpac Banking Corp 9 % Whiteaway Laidlaw 91%
Comm. Bk. N. East	23.70	Williams & Clerks 010
Consolidated Credits		Williams & Glyn's 91%

BASE LENDING RATES

Consolidated Credits... 91%
Co-operative Bank ... 91%
The Cyprus Popular Bk
Dunbar & Co. Ltd. ... 91%
Torkshire Bank ... 9 %
Wintrust Secs. Ltd. ... 91%
Yorkshire Bank ... 9 %
Wintrust Secs. Ltd. ... 91%
Yorkshire Bank ... 9 %
Wintrust Secs. Ltd. ... 91%
Yorkshire Bank ... 9 %
Torkshire Bank ... 9 Heritable & Gen Trust 91% 1 Mortgage bose role.

AEGON nv established at The Hague, The Netherlands

At the Annuel General Meeting of Shareholders held on 25th May 1984, the dividend for the 1983 financial year was fixed at Dfl. 5.40 in cash per Ordinery Share of Dfl. 10.00 nominal velue. Of this dividend, en amount of Dfl. 2.125 per shere has already been made payable as interim dividend with effect from 3rd October Instead of the finel cesh dividend of Dfl. 3,275

per Ordinery Share, Shereholders may opt for a payment of Dfl. 1.00 in cesh together with Dfl. 0.20 in Ordinary Shares charged to the Share Premium Reserve. For Shareholders wishing to receive the

dividend entirely in cash, dividend coupons nos. 2 and 3, attached to their Certificates, will be payable or exchangeable from 7th June 1984 at the head offices of: Amsterdem-Rotterdam Benk N.V., Algemene

Bank Nederland N.V., The Cooperatieve Centrale Reiffeisen-Boerenleenbank 8.A., Nederlandse Middenstandsbank N.V., Pierson, Heldring & Pierson N.V., Bank Mees & Hope N.V., Nederlandsche Credietbank N.V., 8ank Van der Hoop Offers N.V., Morgan Stenley Internetional Ltd., London, Kredietbank N.V., Brussels, Kredietbank S.A. Luxembourgeoise, Luxemburg, Schweizerischer Bank Verein. Zürich and Geneva, Deutsche Benk Aktiengesellschaft, Düsseldorf, Morgan Gueranty Ltd., London, J. Henry Schroder Wagg & Co. Ltd., London and AMRO-International Limited, London

at the rates of Dfl. 1.00 and Dfl. 2.275 respectively, per Ordinary Share of Dfl. 10.00 nominal value, representing the final dividend less 25% dividend tax.

Fixed Interest....

Dividend coupon no. 1 is not being used and has been declared void.

Until 31st August 1984, holders of Ordinery Shares wishing to receive payment in Ordinary Sheres against dividend coupon no. 3 will be issued with one new Ordinary Share of nominal value Dfl. 10.00, which will participate fully in the profit for 1984 and subsequent years, for every 50 dividend coupons no. 3 surrendered. The coupons must be deposited et N.V. Nederlandsch Administratie-en Trustkantoor, N.Z. Voorburgwal 326-328, 1012 RW Amsterdem, After 31st August 1984, the final dividend will be payable in cash only.

The usual commission will be paid to members of the Vereniging voor de Effectenhandel (Netherlands Stock Exchange Association, thus enabling them to exchange dividend coupons no. 3 without charging commission to Shareholders.

The cash dividend/entitlement to payment in Ordinary Shares will be made available to holders of CF Certificates through the institutions with which the dividend coupon sheets relating to the shares were lodged at the close of business on 25th May 1984.

Those requesting thair banks, in connection with the exchange of coupons, to accept the deposit of and/or to issue securities will be charged the epplicable commission of Dfl. 50.00 plus BTW (value added tax) for each transaction. in eccordance with the scale of charges laid down by the Nederlandse Bankiersvereniging (Netherlands Association of Bankers).

The Hague, 28th May 1984 AEGON nv 1. Churchillolein Executive Board

AEGON Insurance Group · Our home is Holland · Our market is the world

FINANCIAL TIMES STOCK INDICES Government Secs. 78,15 78,11 72,27 79.30 79.73 79.60 83,77 78.11 127.4 | 49.18 82.56 85.22 84.02 84.19 84.50 84.67 87.48 82.58 150.4 50.53 Industrial Ord 827.8 886.4 847.5 858.5 876.2 074.4 922.8 770.3 228.8 46.4 662.5 633.7 642.8 555.8 662.4 657.8 711.7 520.2 734.7 43.5 Gold Mines..., FT-Act. All-Share.. 495.22 496,51 506,80 811,071 520,85 518,78 536,71 470,03 536,71 51,92 1055.5 | 1051.6 . 1075.4 | 1084.5 | 1108.7 | 1104.2 | 1141.6 | 997.5 | 1141.8 | 997.5

EQUITIES

in the market place.

Wm Morrison Supermarkets
chairman, Mr K. D. Morrison,
told members at the annual

meeting that sales for the first quarter of the current financial

year were showing an increase in excess of 20 per cent. This, he said after allowing for inflation, "reflects a reasonable volume

gain through existing stores and

a healthy contribution from our new ones." Mr John Redgrave, chairman

of Walter Lawrence, said at the AGM: "After three months management accounts the group's

order books are still satisfactory. We are encouraged by house sales and by the performance of

our manufacturing division and are therefore confident of another

satisfactory outcome to the

year."

FT Share

								استنسان		
0.9	ig s		19	84	Stock	Closing	 	菱	5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	
fasue	Page	Renuno	High	Low		13° à	-		<u>⊢ģ</u>	
270 100	100	10/8	105	64	Assoc Brit Ports RajifieGiffordToohngy	63	-1	8,5	2.9	5, 1; 2,
215 695 6140	F.P.	15/8 10/5 15/8	CII	£10 145 160	Blotechnology Invs 2c 1-Body Shop 5p 4-Brikat 5p	160	13	61.8. 61.8. 60.50d	، -تعرت	4,041,
	F.P.	. –	39 1'471 <u>e</u> 49	125	Comcap 5p Comcap 5p Delaney Croup 10p	185.		ه,می	3.2 1	1.7 17 7.5 7.
+ÚSS5	40% F.P.	19/5 18/5 15/6	24 26 1170	18	Fledgeling Japan to. Do. Warrants Greggs 20p	16, 148	_1 :	u3.4:	8.7.3	3.3 (2.
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FIXED INTEREST STOCKS

price of the price	196	Stock	Cleang price 5
\$100 F.P. \$7.072 C20 \$6.764 £25 \$6.043 £30 :2 \$2.714 F.P. 2 \$65.711 £25 :1 F.P. \$97.80 £25 1	1/7 2856 - 244 6/6 3056 6/4 10556 5/6 674) Brittannia Arrow 9% Cnv. Uns. Ln.	2023 23 2112 -14 241418 2003 96 2014 -14 9938 9938

"RIGHTS" OFFERS

lesua	ount Id up	Latest Renunc.	196	34	Stock	Closing	: +
price i	A B	date	Hìgh	Low		5 à	-, -
85	NII	28/5	10pm	8\spm	Ametrad 5p	612pm	r-1
Ir. 350	NII	_	22pm	5pm	Bank of Ireland £1	5 <u>0</u> m	. —2
260 I	F.P.	24/5	527	300	Bank of Scotland £1	317	
A\$7.5	AB4	3/5	542	400	Broken Hill Prop. A82	400	-7
70	F.P.		87	78	Brown Boveri Kent	82	- 3
10 ;	F.P.	24/5	13	101 ₂	Ferguson James, 10p	104	-
68	F.P.	26/5	78	72	Fisher IAI 5p	73	_
R 27	F.P.	18/6	£17 ta	£154	Dencor 40c	£1512	" "
58	F.P.	17/5	6414	5819	Holt Lloyd Intni, 10p	50	
a8	F.P.	7/6	22	25	Miniorvision Video 10p	85	:.
38	F.P.	85/5	51		Мапралово Вголив	40	- 2
8	Nn	11/6	18em	12pm	Norfolk Cap. 5p	1 2em	h
4 1	F.P.	21/6	8	6	Norton (W.E.) Ip	7	: .
A54 1	NII	_	120pm	105pm	Santos AO.25c	105pm	
136	F.P.	21/5	156		Spottlish TV 'A' 10p	150	_
20	F.P.	23:5	83	21	Wace Oroup 20p	21	
84	F.P.	26/6	138		Websters 5p	118	
60 ;	F.P.		00	85	Whatlings	85	
117	F.P.	23/5	157	134	Williams Hidgs	160	

Renunciation data usually last day for dealing tree of stamp duty. 5 Pigures based on prespectus ostimates, d Dividend rate paid or payable on part of capital; cover based on divideod on full capital. 2 Assumed divideod end yield. 5 Forcest divideod cover based on previous year's earnings C Canadian F Divideod and yield based on grospectus or other official astimates for 1984. H Oisideod and yield based on prospectus or other official estimates for 1984. Q Gross. e Peoca galess otherwise indicated. It tested by tender. If Official states of capitalization. Sp Reintroduced. If issued to connection with reorganization merger or takeover.

Altotment letters (or fully-pold). If introduction, St United Securities Market. S Piscing price. 11 Official Lendon Listing. 1 No par value.

BIDS AND DEALS IN BRIEF

pany.

Martin had rejected the 42p bolding company for the Jefferson group of textile import and knitwear manufacturing busi-nesses. Martin shares lost 3p yesterday to 511p, valuing the

company at £4.34m.
Wilson bad acquired 4.98 per cent of Martin before commencing its offer and received acceptances covering 0.11 per

On May 24, S. G. Warburg & Co., as an associate of Mercantile House Holdings, sold on behalf of 2 discretionary investment client 10,159 ordinary 25p shares of Mercantile, at 308p.

* * * *
The proposal to dispose of the wicker wire products division of Woodhouse and Risson, as referred to in the Press announcement of May 10 and in the accounts dated May 24, will not now be taking place.

The board has, however, received another offer of £62,000 in cash which it has accepted

A bid for Albert Martin Hold'ngs, a Marks & Spencer textile
supplier, lapsed on Friday after
Wilson & Co accumulated holdings and acceptances totalling
only 5.09 per cent of the company.

And which does not require
sharebolders' approval.

Accordingly resolution seven
will not be put to the AGM to
be held on June 19. Completion
is expected to take place by the
AGM.

Acceptances for the cash offer from Lathamstone for New Equipment shares, as at May 18, was 702,144 or 35.1 per cent.

The Corner family agreed to exchange all their 1.29m New Equipment shares (254.5% per cent.) Equipment shares (64.55 per cent) for Lathamstone shares.

Lathamstone have now acquired or agreed to acquire a total of 99.66 per cent of New Equipment (1.99m shares). The offer is now closed.

Cookson Group has reached agreement to acquire 50 per cent of Advance Offset Plate of Holyoke, Massachusetts, through Cookson America, a whollyowned subsidiary.

Cookson has agreed option

arrangements to acquire the remaining 50 per cent in September 1986. Advance has annual sales of some \$30m and is the largest supplier of wipe-on lithographic plates with approximately 25 per cent of the U.S. market.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed.

- Announcement las	t year."	m-round III (III
Date	Announce- ment last	•
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Amorsham IntlJuly 4	rinai dua	intasun
*Angle American	Final 2.1	inti SignelJu
Corp SA. June 4	Final 75a	*Johnson Firth
Argyll FoodsJuno 21	Final 75c Final 2.S	BrownJu
*Avanauaa 29	Final 4.5	Johnson
8P8 IndsJune 29	Final 7.0	MaπhoyJu Kenning Motor Ju
Bakor Perkina June 23	Final 7.0 Final 3	LRC Ini
BeechamJune 2	Final 5.0	Londen O'sess
Berisford		FreightareJu
(8. & W.)June 20 British & Comm.	Interim 3	•MK ElacJu
entian a Comm.		*MEPC M
ShippingJune 15 Sumott & .	Final 9.5	"McCarquadale Ju
HallamshireJuna 23		-Matal Bos
Cable and	Final 8.S	THEORET INDJu
		Moreros
WirelessJune 13 *Capital and	Final S.O	- Northorn
CauntlesMay 29	F1	Foods to
	Final 3 Final 1.75	-Pauls and
"Chorter ConsJune ??	Final 7.25	Whitse
-Unjuriuslune 15	Final nil	Peglar-
CoaliteMay 30	Frhat 4,00	HattersleyJu
Coalite Mny 30	Final 3.5	Pikington
*CourtauldaMay 29	Finol 2.25	
Crest	11101 4.43	Powell Outtryn Ju
NichelsonJune 22	Intarim 1,25	Framier Cons. I
"Vawson IntlJune 91	Final 4.3	Racol EincJu
"De La Rue	Final 16.3	RedlandJu
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CleysJune 14	Interim 3 25	600 CroupJu
Tranguaga Indi Juna 17	Final 3.5	SkotchleyJu
FarrantiJuno 23	โกม 3.7	Smith Gree
Fitch LovellJuly 7	Final 5.83	Staveloy Inda Ju
CEC	Final 2.8	TescoJu
*Creat Portland		Tezar
EstatosJune 8	Final 4 Q	KampleyJu
*Guinnaaa (A.) June 12 *Hobitat	Interim 1.655	
	_	Lingui IA ""IA
MotharcareMay 31	Final 4.0	FormJu
HambrosJune 21 Hanson TrustJune S	Final 37 S	Unigate
-Harnson and	Interim 2.0	Wodewood in
Crosfield May 30	P	WashingJu
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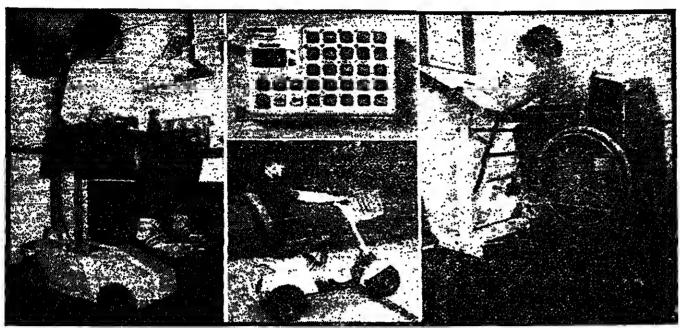
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EQUIPMENT DESIGN CONTRIBUTES TO BETTER WORKING LIVES

Hardware for the handicapped

OUNS.

NIS THE SRES



A combination of mechanical and computer techniques can provide answers to the problems of belping the disabled live full and useful lives. Top centre: the Canon UK Communicator and below it the Downs Surgical "Rova" which climbs three inch kerbs. Freestanding and built-in powered jacks belp raise the disabled to the heights

TWO YEARS ago, the UK Demachine either with the prespection of Trade and Industry sure of their hand or head on does not.

Budget Scooter (£495) which executive style chair with the prespection of their hand or head on does not.

Lenin and Trotsky are said trically driven jack (£1,778).

It bought computerised equip-

feedback suggests satisfied employers, fulfilled workers and the development of a range

The pay-off has been satisfied employers and fulfilled workers

of hardware and software for the handicapped with substantial export potential. The DTI showed off

achievements earlier this month at an exhibition "The Con-cerned Technology" in Brighton, which set out many the new devices designed to help the disabled make a worth-while working contribution.

Typical of the innovations on disease. show was " Beeb Control " from EMin Eystems of Gloucester, a device which can be linked to a

sure of their hand or head on does not.
a switch—even the filcker of Lenin and Trotsky are said their eyelids can be used.

to bave bicycled their way

person into patterns on a com-person into patterns on a com-puter videoscreen; matching car.

"Chair Up" of Wimborne,
"Chair Up" of Wimborne,

Canon UK was showing to the Communicator, a pocket to raise a wheelchair on the calculator sized gadget which roof rack.

If a bandicapped person is the calculator sized gadget which roof rack. extrudes messages on paper tape and which can be used by both deaf and dumb; for the poor sighted John Heathcote of Tiverton in Devon has a closed circuit television system which projects and magnifies words and figures. Electric scooters appeal to

handicapped people who would a grant to pay for it.) otherwise have to use wheel-chairs and they are also popular with asthmatics and sufferers from arthritis and heart

These 4 mph machines can comfortable, orthopaedically be kept at the office and ridden along shopping concourses. With a smart executive look They include the Downs Surgical "Rova" (£895) which "Chair Up" of Wimborne, Dart charged a self propelled. device which can be linked to a along shopping concourses. With a smart executive look wheelchair have the keyboard to control the manual keyboard to control the some who cannot operate the manual keyboard to control the some who cannot operate the manual keyboard to control the some who cannot operate the manual keyboard to control the some who cannot operate the manual keyboard to control the some who cannot operate the manual keyboard to control the some who cannot operate the climbs 3 inch kerbs and the Bec some of the control that the some was a self propelled who cannot operate the climbs 3 inch kerbs and the Bec some of the control that the control the climbs 3 inch kerbs and the Bec some of the control that the control

neir eyelids can be used. to bave bicycled their way Visual aids for the deaf and around the Kremlin, Rova say ment for 50 handicapped dumb are becoming more one business client of theirs people, set them up in "home working units" and found them employers.

The payoff has been, all the person into patterns on a compression of a deaf person into patterns on a compression of a deaf person into patterns on a compression of a deaf person into patterns on a compression of a deaf person into patterns on a compression of a deaf person into patterns on a compression of a deaf person into patterns on a compression of a deaf person into patterns on a compression of their section of their section

can produce clearer speech.
Canon UK was showing its of Westbury, Wilts, a gadget
Communicator, a pocket to raise a wheelchair on to a

offered a job in a building with no lift, Stannah lifts of Andover, Hants, offer a mono-rail with seat, or a lift which takes a wheelchair with a person remaining in the chair. (You can negotiate with the Man-Services Commission for

Reaching a high shelf from a wheelchair is solved by Tunkers of West Germany who bave a huilt in hydraulic lift device in their Butler Chair. The chair is

Bedlam. It may be simple enough for the cognoscenti—such as the 42,000 now conected to Prestel in the UK but for the other 50m-odd, even the word videotex is full of mystery; as indeed it might be because it even bas a different meaning in North America.

There are plenty of other names to add to the communications barrier, such as Humelink, Micronet 800, Club 403, Farmlink, Lawtel and — perbaps for those in desperate need of help

To get the terminology a little sorted out for readers who have reached this far, vince.

Britain) is the generic word to cover television text systems whether they are transmitted as part of the broadcast service (viz teletext) or relayed, by wire — effectively connecting the viewer to a distant computer viewer watches all that electronic print for 15 minutes per day, two bours per week — and com via telephone lines, but there are many other private

In other parts of the world, the word videotex is being confusingly applied to denote view-data; teletext remains the same; but in consequence no nther word is used to embrace all systems.

same capacity but using an electrically driven jack (£1,778).
"Cbair Up" also make for Carters of Westbury, Wiltshire, a device which lifts a whole

wheelchair so that the user can reach the top drawer of a filing

But in general, wheelchair

design is very backward in the UK. Not only the archaic chairs

issued free by the DHSS, but

In general wheelchair design

also those abown by the most

"Be sure to include actual

As further clarification, names such as Homelink and Lawtel describe Prestel services offered by so-called information pro viders (IPs) — who range from building societies to newspaper groups. It may be easy to guess that Lawtel offers the legal pro-fession access to a wide variety of law reports, case informa-tion, and so on; Homelink with some semantic sense provides Prestel consumers with direct access to a range of financial services—including the ability is very backward in the UK respected manufacturers in the UK. The orthopaedist and designer of a wide variety of seating. Dr Bernard Watkin, has described these wheelchairs as "an anatomical insult." He said: to actually transfer money. Sympatico is, much less obviously, a noticeboard service with sections such as Pen-"We need a marriage of the talents of people like Flight Equipment and Engineering of pal, Heartsearch and Interests (but it is not clear exactly where the line would be drawn at accepting Heartsearch mes-sages from those with very Chesham who are doing revolu-tionary things in the aircraft industry, with someone who understands the human body. special interests).

wheelchair users and you will have the kind of think tank that will come up with the answers

IF VIDEO, cable TV, satellites even the more specialised Presand DBS seem a jungle to anyone trying to orientate themosphere, videotex must seem like users, now has 37 per cent of decoders for the terminals. But its terminals in the bome. In the words of the Parliamentary Under Secretary of State, Mr

Videotex—what's in a name

Of course, 37 per cent of 42,000 is insignificant, but the growing confidence of this industry is evident — belped by the relative success of teletext. which again the cynics dismissed. There are now 1.7m

white elephant some predicted

Video & Film

BY JOHN CHITTOCK

it would become. Prestel is no less impressive, with 15.2m frame accesses per month (that is, 362 per terminal).

There is other good news about videotex which reverses a view of two or three years ago. Both Prestel and teletext were trail-blazing British develop-ments, putting us well ahead of the rest of the world. inevitably came the competition, especially from France with Teletel and Antiope (viewdata and teletext respectively) and Canada and Telidon. As is so often the case, it began to look as if the British would be squeezed out in world markets, particularly because the rival systems offered potentially better graphics.

Nonetheless, the British developments have recovered from early challenges and about 98 Despite the confusion per cent of all world viedotex as the video disc. It may be caused by the terminology, and in splte of much cypicism two or three years ago, videotex in about one haif are in the UK any becaused by the terminology, and installations now follow the a truism, but we are on the verge of a new era of linguistics —with television as the common denominator.

Britain's drive with teletext has set an example unequalled in the rest of the world, subse-

The British Government through the Department of Trade and Industry, must take some of the credit for this. Not only has it provided financial support and tax incentives to get teletext and viewdata estab-lished, but it has been a catalyst households with teletext sets in households with teletext sets in getting the industry coUK, representing a potential ordinated. Some might say viewing population of almost 6m people. That is a far cry from that the overall Minister responsible, Mr Kenneth Baker, cannot do as much for the film industry which also comes under the DTL

> There are still more battles to be won Prestel, in particular, is far from justifying its commercial existence, although some innovatory services are yielding results that belle their novelty value. For example, Club 403's information service for residen-tial subscribers in the West Midlands has seen its Home Shopping facility rank as first in local popularity league table: as part of this scrvice, Armchair Grocer allows a viewers to select, order and pay for food which will be delivered to the door. As Britain's leading evangelist for videotex — Mr Ric Foot — poignantly puts it, Prestel has re-invented the

> grocer's delivery boy. The set manufacturers are not altogether sanguine about videotex, and UK teletext sales are now expected to plateau at about 700,000 per year --- or one third of every large screen set. But even those figures are a dramatic leap from the expec-tations of a few years ago.

> The arrival of hard-copy print-out incorporated TV set, as in a new Philips 26-incb teletext model now available, overcomes the ephemeral weakness of videotext informa tion. Such developments signify the relentless convergence of print and television, also wit-nessed in other systems such



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John Butcher, who has been a key figure in the story so far—those who thought it would never begin to take off in the consumer market are being to the consumer marke

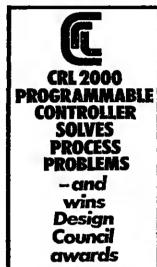
COMPUTER-AIDED COMPUTER-AIDED trans-lation in six directions between English and French, German, Spanish or Portgu-guese is offered by some software called Microcat from The Professional Connection, Farebam, Hampsblre.

Developed by Weidner Communications Corporation in the U.S., the program runs on the IBM PC XT personal computer.

The biman translator does not vanish however. The source text is entered via the keyboard, together with any words not already in the program's core directory. Once Microcat has finished pro-ducing its raw translation at up to 2,000 words per bour, the human translator edits

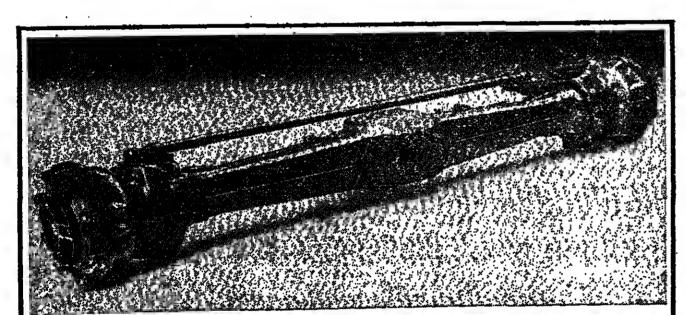
and polishes the text.

It is claimed that the prodnetivity of the buman trans-later is increased from an average of about 1,200 words a day to over 1,000 words an hour. More on 0329 230870.



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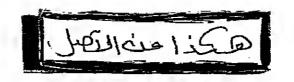
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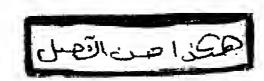
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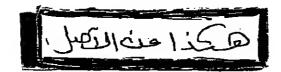
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WORLD STOCK MARKETS

Becalmed in absence of a lead

MANY European centres found them-selves becalmed yesterday in the ab-sence of a lead either from London or Wall Street

Frankfurt was further troubled by the continuing metalworkers' dispute which saw trade unionists demonstrating in Bonn in support of their demands for a 35-hour working week and unemploy-ment compensation for workers locked

Shares ended mixed, though steady, after uneventful and trendless trading, and the Commerzbank index slipped 1.9 to 1,005.5 in a market dominated by pro-

fessional traders.

Motor shares were mixed with Daim-ler-Benz managing a 20 pfg rise to DM

Wall Street was closed yesterday to mark Memorial Day while London was closed for the Spring Bank holiday.

568, but BMW fell DM 2.40 to DM 382.10 and Volkswagen DM 1.80 to DM 189.70. Bonds held steady in listless trading and the Bundesbank sold a nominal DM 7.7m of paper to balance the market af-ter Friday's purchases which totalled DM 3.4m.

A reluctance to adopt new positions left Paris mixed to slightly lower. The Stock Exchange Association was unable to provide an accurate trend indicator because of a computer failure.

One feature was, however, provided by Creusot Loire, the engineering group which has filed for protection from its creditors. It fell FFr 5.20 to FFr 25.

Brussels turned in a sluggish performance and the SE index fell 1.21 to

In the retail sector, Delhaize was unchanged at BFr 4,830 as it reported that domestic sales rose 8 per cent in the first four months of 1984.

A reversal of last week's downward trend was seen in Amsterdam where the ANP-CBS index added 2.3 to 157.1.

Akzo led the gains, rising Fl 4.70 to Fl 89.30 while Hoogovens added Fl 2.60 to Bonds were flat amid a total lack of

trading interest.

Zurich also turned marginally higher after last week's declines. Crédit Suisse paced the hanking sector with a SwFr 15 rise to SwFr 2,215 while Swiss Bank Corporation rose SwFr 5 to SwFr 340 and Union Bank SwFr 10 to SwFr 3,400.

Milan turned lower amid the deepening crisis in the Gulf. A lower trend was also seen in Stockholm in thin trading.

HONG KONG

AN INCREASE in local interest rates was shrugged off in Hong Hong and the stock market rebounded, through in very thin trading.

The Hang Seng index rose 16.52 to 919.31, after Friday's 20.21 fall, in turnover that was down to HK\$96.63 from Swire Pacific "A" added 40 cents to

HK\$15.90. The conginmerate forecast 1984 net profit up at least 14.9 per cent to HK\$1bn in a document detailing its HK\$1.24Bn cash and shares offer for the 27.5 per cent stake in Swire Properties that it does not already own.

SINGAPORE

EARLY strength, derived from the completion of the United Malays National Organisation party elections, was not sustained in Singapore.

A \$\$1.10 rise by Esso to \$\$15.60 was largely responsible for a 5.37 advance in the Straits Times industrial index to 956.12, but falling issues outpaced rises by nearly three to one in turnover that eased to 7m shares from Friday's 9.7m.

AUSTRALIA

HIGHER pre-weekend hullion prices gave gold shares a boost in Sydney, while mining and oil shares also moved ahead.

The All Ordinaries index reversed last week's slide, adding 3 to 678.0. Gains were recorded among hanks, which were hard hit last week in the fallout from nervousness over their U.S. counterparts.

SOUTH AFRICA

A CONTINUATION of Friday's sharp gains in gold shares was seen in Johan-nesburg in mainly local trading, due to the closure of the London and U.S. markets.

in other sectors, Anglo-American advanced 30 cents to R22.55, De Beers 6 cents to R9.30 and Impala Platinum 10 cents to R19.90.

Randfontein added R5 to R195 while

Industrials, bowever, were quietly

CANADA

Gains among the oils, financial services and metals sectors led Toronto higher but trading volume was low, reflecting the market holidays in the U.S. and UK. Gold issues, which had provided much of the impetus for a market advance on Friday, eased slightly.

Montreal was also ahead with advances recorded by industrials, utilities

Sidelines provide safe haven

A WAIT-AND-SEE mood dominated the Tnkyo stock market yesterday and prices took a moderate downswing in the thinnest trading seen this year,

writes Shigeo Nishiwaki of Jifi Press. The Nikkei Dow market average fell 11.32 to 10,116.04. Volume shrank to 135.4m shares, compared with the year's previous low of 141.13m, recorded on Fehruary 20. Losses outnumbered gains 340 to 292, with 138 issues unchanged.

Investors beld to the sidelines, wary nf rumoured financial difficulties of major U.S. commercial banks and the tense Middle East situation. Margin dehts running at record levels also dampened ac-tivity, as did the closure of the Londoo and New York markets for public holidays. Investors were awaiting Tuesday's market moves in New Ynrk before tak-

ing new action.
On the trading floor, Aoki Construction topped Y1,000 at one point, however, boosted by investors' hopes for the company's gold development in Brazil, but closed the day at Y995, up Y15. Marubeni, a major trading house engaged in gold mine development in Alaska, rose Y3 to Y380.

Blue chips made a steady start but later eased with Hitachi posting a small gain of Y2 to Y840. Matsushita Electric Industrial shed Y20 to Y1,730 and Kyocera Y100 to Y5,650. However, Canon advanced Y30 to Y1,210.

Dainippon Pharmaceutical, which moved ex-rights, finished at Y4,020, well above the theoretical price. Conversely, Mochida Pharmaceutical lost Y140 to

Pacific Metals was the most active stock with 6.37m shares changing hands, rising Y19 to Y235, nn projections that a recovery in the market for stainless steel will mean an improved performance for the husiness year ending in

Banks came under small-lot selling pressure, with Sumitomo Bank dropping Y35 to Y965 – below Y1,000 for the first time in about 21/2 months.

A hesitant mood was also dominant on the bond market with the yield on the benchmark 7.5 per cent government bond, maturing in January 1993, edging down slightly to 7.465 per cent, compared with Saturday's 7.500 per cent. But the yield on the 6.1 per cent government, bond, with four to 44 years rement bond, with four to 4½ years remaining to maturity, rose to 7.450 per cent from 7.430 per cent.



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(Both companies incorporated in the Republic of South Africa) Members of the Barlow Rand Group



FINANCING OF THE NEW KHUTALA AND MAJUBA

FINANCING OF THE NEW KHUTALA AND MAJUBA COLLIERIES
In 1982, Transvaa! Consolidated Land and Exploration Company, Limited ("TCL") was swarded contracts to supply coat, from resources owned by TCL, to two new power starions which will be constructed by the Electricity Supply Commission ("ESCOM") in the eastern Transvaai. Two collieries are being established for this purpose and are expected to operate for 40 years.

KHUTALA COLLIERY:
The first colliery, called Khntala, is situated on the Bombardle-Cologna coal field and will supply coal to the Kendal power station. Production of coal by the mine is scheduled in commence in 1987 and rise to approximately 12.2 million tons per annum in 1992. The property is partly underlain by the No. 5 seam. Coal from this seam has been excluded from the contract with Escom and will be exported in terms of a provisional allocation of 2.5 million tons per annum granted to TCL under phase IV-A of the Government export programme.

MAJUBA COLLIERY: MAJUBA COLLIERY:

MAJUBA COLLIERY:
The second colliery, called Majuba, is situated near Amersfoort and will supply coal to the Majuba power station. Production is planned to commence in 1989 building up to 11.9 million tons per annum by 1994.

JOINT VENTURE ARRANGEMENTS
The directors of TCL and Withank Colliery, Limited ("Withank") bave reached agreement, in principle, in regard to development and operation of the two mines by way of a joint venture. A wholly-owned subsidiary of TCL will have a 30 per cent participation in tha joint venture, while the remaining 70 per cent will be taken up by a wholly-owned subsidiary of Withank. TCL will assign tha use of the Escom contracts. Its export allocation and its coal rights to the joint contracts, its export allocation and its coal rights to the joint

venture.
FINANCIAL EFFECTS: The total capital expenditure to be incurred on the development of the Khutala and Majuba collieries (including the mining of coal from the No. 5 seam for export), over a period of 15 years, is estimated at RI 175 million in current money

terms.

Internal resources will fund the main portion of capital expenditure, the balance being provided by borrowings which have to a large extent been arranged.

In comparison with the position that would have prevailed if the joint vecture arrangements had not been agreed upon, both TCL and Withank will derive enhanced long-term benefits.

Minimal financial benefits will be derived by TCL and Witbank over the next two years from the development of the collieries but improved earnings per share should be obtained by both

May 28, 1984

Public Notices

POLDEN FARMS LIMITED
COMPANY NUMBER 356613
NOTICE IS HEARBY GIVEN pursuant to Section 55 of the their The above-named Company has approved a payment of

Dividends for 1983 of 5 5% (RT 0.86) and 13 6425% (RT 0.409275) respectively will be paid on and after 15th May 1984. To obtain own deviceds, certificates must be fisted on forms obtainable from, todged with for marking, and left for five clear days for

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US\$100,000,000 Hydro Quebec 11½% Debentures due

15th June 1992 Debentures covering US\$5,000,000 have been purchased on the market to satisfy the Purchase Fund due 15th June 1984.

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FF 188,000
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Contracts & Tenders

GUYANA SUGAR CORPORATION LIMITED

INVITATION TO TENDER FOR FIELD AND FACTORY EQUIPMENT AGRICULTURAL SECTOR LOAN GUYANA SUGAR CORPORATION LIMITED

Tranders are hareby invited from anppiers for provision of field and inctory equipment to be acquired under the relatenced toan. The Inter-American Davistopment Bank in partiality finding a rehabilisation programme under Loan Contract 680/SF-GY through its Fund for Special Expressions. Eighbury with respect to erigin of goods and sorvices will be determined pursuent to the rules applicable for the use of the lund. FIELD EQUIPMENT

Lot A1 — Nina (3) Crawler Meunted Braglings Lot A2 — Saven (7) Tractors (115-120 hp) with Creeper Geers Lot A3 — Seven (7) Couble Wheel Rotary Butchara

FACTORY EQUIPMENT

Specifications contained in the Tender Opcument permit offers of alternate earlipment which have similar characteristics and provide equal performance and quality to those stated.

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Main and Urquhort Streets
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South America

Tenders close si 14.00 hours (2 pm) Guyans time on Wednesday, August 15, 1984. Tenderers or representations may be present of the apening of the tenders. E. S. O. Hanamen

Finence Controller
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An expending U.S. owned manufacturing company located is Scotlend and operating in the field of
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wishes to acquire an airfreight company to complament its already successful surface freight operation Write Box G9776 Financial Times 10 Cannon Street, EC4P 4BY

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WANTED MANUFACTURING FACILITY

U.S. Based Company with Sales organi-actions in England and Europe is seeking to buy a small manufacturing facility ereferably with electro-mechanical assembly and sheet metal capabilities, Engineering dealing per-sogular a plus. Write Box G.9784, Financial Times, 10 Cannon Street, London &C4 48Y.

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Company expanding Into plastics injection moulding manufacturing wishes to acquire existing company with own product lines, Write Box G9741. Financial Times 10 Carmon Street, EC4P 48Y

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buccessful entrepreneur wiehae to purchase totally, or a part of a business in manufacturing or merkating. All effers will be considered, pleass send full destination. Boa GS782, Financial Timas 10 Cannon Street, EC4P 4BY

COMPANY wished to accurre Principals Ucence to deal le sequities. Offers Invited, Write G.0774, Fleancial Times. 10 Cannon Street, Londos ECSP 48Y.

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OF LARGE QUOTED PROPERTY GROUP seeks private or quoted companies currently achieving pre-tax profits exceeding £250,000. All business sectors considered.

Please write in strict confidence to Box G9777 Financial Times, 10 Cannon Street, London EC4P 4BY

SUBSTANTIAL PRIVATE COMPANY Wished to acquire satisful Nureino Homes of at least 20 bedroome le the SE of Eagland particularly in the Thames Valley area. Ah replica will be treated in the strictest confidence.

leece. Principals only should write to: Box G3754. Financial Times 19 Canaoa Street, EC4P 48Y

WANTED MANUFACTURING CONTRACTOR U.S. based Company with Sales Organi-sations in Emiand and Eurose is seeking an organization to produce a series of products, Capability should include precision short metal, paint-ing, Electro-Mechanical Assembly and sectimical direction. Write Box G.9784. Financial Times. 19 Cannon Street, London ECAP BBY,

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The Centre has a superb location and it is expected that over 1 million visitors will use the facilities each year. Companies or consortia with experience in all aspects of the centre are invited to apply for full particulars by, at the latest, Friday, 15th June to the Town Clerk and Chief Executive Officer, Torbay Borough Council, Town Hall, Torquay, TQ1 3DR. Tel. Torquay (0803) 26244 ext. 259

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Children's Clothing Manufacturer

The business and assets of a leading children's clothing manufacturer based 8 miles north of

- Manchester are being offered for sale. Manufactured size range: birth to 12 years
- 20,000 sq. ft. of leasehold factory premises on ground and first floor
- Current turnover \$680k p.a.
- Trade connections with major store groups and wholesalers
- Full order book until the end of October

For full details contact: L. Harris, C.A., Downham & Co., Accountants, Northern Assurance Buildings, Albert Square, 9/21 Princess Street, Manchester M2 4DN. Tel: 061-832 6413.

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The opportunity arises to acquire the business and assets of The Gamer Engineering Company Lumited (in receivership). Established c 1957 and trading as precision engineers and manufacturers, the company has built up considerable experience in Ministry of Definee contracts and is well known for its photographic darkroom equipment. The principal features of the business are:

- One acre freshold site incorporating 8,000 sq. ft. of offices and workshops • 18 employees
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 substantial order book Enquiries to P R Densham FCA, Price Waterhouse, Clifton Heights, Triungle West, Bristol BSS 1EB Telephone: (0272) 293701 Telex: 449834



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Opportunity to acquire a Chain of Menswear Retail Outlets, Located in SE England, Trading as John Walton and Chicago Turnover of £5,000,000 pa

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For details contact: J. M. Iradale, FCA Cork Gully Shalley House 3 Noble Street London ECZV 7DQ Phone: 01-606 7700

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interested perties, who must be aubstantial, should write to: J. P. Morrey, Esq 34 Sutherland Drive Newcastle-under-Lyme, Statis Tel: 0782 25894

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Acqual turnover approximately £2.5m. For sale by receivers as a going concern.

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Frozen & Chill Food Manufacturer

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Business Assets and undertaking of well established Frozen and Chilled Food manufacturer for sale as a going concern; turnover approx. £1 million.

The company has a significant presence in the 'Own Label' retail sector and is well located being adjacent to the MI. Further details from A.J. Barrett F.C.A. at the address below

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PO Box 207, 128 Queen Victoria Street, London EC4P 4JX.

LEISURE/TRAVEL PUBLICATION Liquidator offers for sale goodwill of established annual publication dealing with leisure and travel facilities.

Annual advertising revenue approximately Further details from The Liquidator

Robert Buller, 49 Mill Street, Bedford MK40 3LB. Telephone: 0234 211521 Telex: 826340

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The company operates in Hong Kong and provides foreign language courses, business courses, including Secretarial and Computer Studies, and also runs an employment agency and a Day Care school for children under eight years old. With an expanding student base, turnover has increased annually from 1980 and reached HKDLRS 2.8 million in 1983. Enquiries from principals only should be addressed to

Coopers & Lybrand Associates Limited, Management Consultants, Sunning Plaza, 23rd Floor, 10 Hysan Avenue, Hong Kong. Tel: 5-8394321 MCS No. 11/1307

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Facilities and activities include 8 indoor tennis courts, 8 aquash courts, 10 badminton courts, indoor cricket, keep fit, sauna, jacuzzi, ladies solarium, crecha, lounge bar restaurant, viewing galleries, pro-shop, ample parking, used as major UK indoor tournament venue.

Further details from: The Joint Receivers Maurice Mithaliland lipe faceb, Fairfax House, Fulwood Place, Lendon WCIV 6DW - Telephone: 01-405 8422 - Telept. 26784

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Good apportunities to extend existing goodwill with many, hospitela For further details contact: Mr M. Spencer or Mr J. Papi Casson Beckman and Partners 11-12 Wigmore Place, London W1H 908 - Tel: 01-637 2561

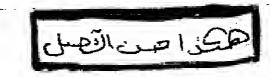
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ROLLING MILLS SLITTING LINES, WIRE AND ROD PLANT, Tel: 0902 42381; Telas, 336618; Wadaesbury FORK LET TRILESS chew-Dat sale. We need the cease for more tracks coming in. All types or component of illustration. Material, 148, etc. All running all prices and prices. Burningham Fork Let Track Let. 2. Hans Road, Salifey, Blendson 88 10U, England, Tel: 921-327 3044.

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والمرازع الأخرار المراسين

Clubs



Douglas to build £5m supermarket

R. M. DOUGLAS CONSTRUC-TION bas been awarded four contracts in Wales worth over flom in total. Largest—over f5m—is for a supermarket and f5m—is for a supermarket and home improvement centre of over 8,000 sq matres for J. Sainsbury at Quay Parade. Swansea. The project, with adjoining carparking facilities for 520 cars, bas a sales space of 2,500 sq metres. The Welch Health Technical Services Organisation has awarded two hospital contracts. The first is the £2.5m adaptation and refurbishment of the exist-The first is the £2.5m adaptation and refurbishment of the existing lop block, pharmacy and St Paul'a Ward with new extensions and link blocks at St. Tydfil'e Hospital. Merthyr Tydfil. Work also includes drainage and external works. The second contract where Douglas already have work valued at £15m is at the Morriston Hospital. A new £1.9m geriatrics block, incorporating a lwo-slorey cruciform shaped huilding measuring 50 x 50 metres is to he constructed with porte cochera across the access road. The design is in the form of a two-storey unit linking with the existing main unit and terminating with a staircase serving four with a staircase serving four levels. The Weish Development Agency bas awarded a further factory extension for AB Electronic Products Group at Rogerstone—3,100 square metres—with an office block of 580 metres. Value over film.

TURRIFF CONSTRUCTION has won two contracts. The first, worth £250,000, has heen awarded by the City of Birmingham and ie for preliminary works for Kings Heath Leisure Centre at Alcester Road, Birmingham. The second, worth £427,000, has been awarded by the Home Office for work at HM Prison, Aylesbury. TURRIFF CONSTRUCTION has won two contracts. The first, worth £250,000, has heen awarded by the City of Birmingham and is for preliminary works for Kings Heath Leisure Centre at Alcester Road, Birmingham. The second, worth £427,000, has been awarded by the Home Office for work at HM Prison, Aylesbury.

**
WALTER LAWRENCE (CITY) bas started repair, cleaning and redecoration of the external walls and surfaces pipework of the East Wing of St Bartholomew's Hospital, West Smithfield, ECI, for the City and Hackney Health Authority at a cost of about £193,000. First ald repairs of roof coverings, skylights and surface to the carried offices are also being carried to Manchester International Air.

about £193,000. First aid repairs of roof coverings, skylights and gutters are also being carried out. Completion dete is the end of October.

The Constant

TAX NOT CARE

1.1.

BUILDING CONTRACTS

wins over £24m work At ELF UK Mr David Dixon, who has been a director of various group companies since 1974, has been appointed directions of the companies of

SIR ALFRED MCALPINE & the River Uck), four reinforced SON has been awarded a £19.2m concrete culverts and one recontract by the Property Services inforced concrete cattle creep. contract hy the Property Services
Agency for work at Kineton, near
Leamington, Warwickshire. The
contract entails construction of
85 partially buried reinforced
concrete storehouses, 20 reinforced concrete storehouses for
explosives, offices, and ancillary
buildings, and demolition, external works and railways. The
work, which will take about three
years to complete, has started.
SIr Alfred McAlpine and Son
bas been awarded a £4.8m concontract hy the Property Services

Penrhyn Quarries, of Bethesde, North Wales (an Alfred Mc-Alpine company) has won a \$250,000 (£166,000) contract to supply 45,000 sq ft of "Burgundy" riven slate cladding to the SIr Alfred McAlpine and Son bas been awarded a £4.5m contract hy East Sussex County Council for construction of the Uckfield By-pass. This involves construction of an 8-km hy-pass and 1 km link road to the town centre, both 7.3 metres wide, of flexible single carriageways. It also entails construction of three reinforced concrete hridges (two over the hy-pass and one over

Contracts totalling £6.6m have been won by THORN EMI BUILDING SERVICES. Largest Manchester International Airsingle order—for £2m—is for the first phase refurbishment of the order Conditioning Installation to the Oxford Street, London, store of Selfridges. Other contracts include John Lewis Partnership ztore at Reading, phase III refurbishment of air conditioning, plumbing and sprinklers, worth £1.5m, and Land Securities office redevelopment, III refurbishment of air conditioning, plumbing and sprink-lers, worth £1.5m, and Land Securities office redevelopment, mechanical and electrical ser-vices, at £900,000. port to maintain existing services during construction through the peak travel season BALFOUR BEATTY CONSTRUCTION has started site preparation works for the new £5.73m Lochgelly High School. Designed to accommodate 1,230 pupils, the school will replace the junior bigb schools of Ballingry and Anchterderran and allow the closure of the substandard junior building at Beath High School.
Balfour Beatty has three other contracts. The first, valued at £1.15m, has been awarded hy Loodon & Clydeside Properties. The 11-month contract is for the

Contracts worth over £2m have been won by TILBURY CON-STRUCTION. Largest is for construction of the Camels Head cer park at Devonport Dockyard. It is worth £850,000 and includes a police post and muster station.

Under a contract from Sheffield City worth over £750,000 FAIR-CLOUGH BUILDING is to carry out repairs and improvement to 108 terraced homes in the Stub-bin district of Sheffield, Completion is for March 1985.

£6m Malawi road for Kier International

RIER INTERNATIONAL, member of the French Kier Group, has a contract worth Group, has a contract worth
f6.4m for construction of the
Luwawa turnoff to Champhoyo
Road In the northern region of
Malawi for the Ministry of
Works and Supplies. The 18
months project comprises 57km
of bituminous surfaced road on
a crushed rock hase and runs
through hilly forested terrain to Manchester International Air port's international departure lounge has been awarded to the

APPOINTMENTS

Sir Alfred McAlpine New chairman and board changes at ELF UK

1974, has been appointed director and chairman. The following join like hoard: Mr Philippe Armand, operations manager, UK; Mr Michel Eyssantier, exploration menager, UK; Mr Claude Fabre, directeur délégue a l'Exploration et au domaine minier, Paris; M Pierre Grancher directeur dévelopme minier, Paris, M Pierre Grancher, directeur développe-ments et Travaux, Parie; Mr ments et Travaux, Parie; Mr
Terenee Heneaghan, company
development manager, UK; Mr
Keith Jameson, corporate affairs
manager, UK; M Yves Lesage,
directeur Europe, Paris; Mr
Andrew Wilson, finance manager,
UK; M Arnaud Rousseau, ELF
Group chief executive in the UK
remains managing director of
ELF UK.

incorporating the motor division subsidieries: Chiswick Garage; Chiswick Garage Con-tract Hire; R. J. Bown; Treforest Motors; Bedwas Bodyworks. Mr E. A. Bollis, deputy chairman Mr E. A. Hollis, deputy chairman of Securicor Group will head the new company as chairman and Mr R. Smith, transport director, Securicor, is appointed managing director. Other directors are: Mr D. Pinder-White, managing director, Chiswick Garage: Mr C. Shephard, managing director, R. J. Bown and Treforest Molors; Mr J. Greenhalgb, managing director, Bedwas Bodywork; and Mr D. O. Bianks, company secretary, Securicor Group.

Andrew Wilson, finance manager, UK; M Arnaud Rousseau, ELF Group chief executive in the UK remains managing director of ELF UK.

*

SECURICOR GROUP bas formed a new holding company, Securicor Motor Holdings, Brewis Bros.; and hon treasurer

is Mr W. A. Dunn, National Fuel Distributors. Mr John Bradbury bas been

appointed a director BEMROSE CORPORATION. Mr Edward Powley is joining GEBRUEDER HESSELBERGER. bop merchants, on June 1 as an executive director with special responsibilities for finance and

administration. He is finance director of Kelsey Industries. MASSTOR SYSTEMS INTER-MASSION SISTEMS INTER-NATIONAL bas appointed Mr Nino Celone es vice-president of customer support for Europe. Ha was director of support and pro-duct development for Olivetti

Mr William Willson has been elected cheirman of the BIRMINGHAM AND BRIDGWATER BUILDING SOCIETY. He is chairman of Company

Compulers.

Developments. Mr Alick He was previously deputy Sowmer, returing chairman, will manager at the Rank's West End. continue as a director of Trusl branch. Sirmingham and Briogweter.

Mr H. A. Dodswnrib, commersystems has heen elected chairman of the POWER GENERA-TION ASSOCIATION for the next two years.

LONDON & CONTINENTAL BANKERS has appointed as associate directors Mr Michael J. Brooks, Mr Oliver Barstow and

Mr Hallam Carter-Pegg who has been a director for the past
14 years has heco elected chairman of the PECKHAM BUILDING SOCIETY in succession to
Mr L. J. Robinson. Mr Carler-Pegg is senior partner of Pegg Rohertson and Co.

From June 1, Mr Brian F.
Smith is to become deputy
managing director, and Mr Brooks, Mr Oliver Barstow and Mr Mr W. R. A. Pamment.

Mr D. M. Sandy Sanders has been appointed a director of CITY AND METROPOLITAN BUILDING SOCIETY. He is chairman of Boston Investment Group.

Mr Brian Bodel has been appointed manager of the City Trust branch of LLOYDS BANK.

Managing director, and Mr Michael Cutler group purchasing manager of ASTRURY & MADELEY (Holdings). Mr Madeley (Holdings). Mr Michael H. Kilkeen have been appointed associate directors of subchairmy Asibury & Madeley. A new subsidiary. Asibury & Madeley (Tool Hire) is being established, and the resident director will be Mr Christopher R. Wadswortb.

OVER-THE-COUNTER

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(ii) The maximum number of shares for which the Company will accept tenders is 80,000. Shareholders may tender all or some of their shares, but if more than 80,000 shares are tendered, tenders may be scaled down, balloted or rejected as explained to paragraph (iv) below.

(iii) If tenders representing less than 1 per cent, of the voting rights attached to the Company's Ordinary shares (being 43,453 Ordinary shares) are received the tender offer will be void.

fiv) If the number of shares tendered for sale is more than 80,000, the striking price (being the price that the Company will pay) will be the lowest price at which the number of shares sought (i.e. 80,000) is met and all shareholders who tender at or below the striking price will receive the striking price (subject to the provisions of paragraphs (at and (ai) below). If necessary, tenders made at the striking poce will be scaled down pro rata

(v) If the number of shares tendered for sale is at least 43,453 har less than 80,000, the striking price shall be the maximum price of 800p per share, which, subject to paragraphs (x) and (xi) below, tendering shareholders will

lvi) All lenders lodged by shareholders or by their agents will be Iviit It is open to shareholders to tender a proportion of their shares

on-market and a proportion off-market.

Ivii) The tender offer will open on 2°th May, 1984, and will close at 3.30 p.m. on 12th June, 1984. The on-market tender will be conducted by The Stock Exchange and the off-market tender will be conducted by a representative of the Company. Upon closing, dealings in the Company's shares will be temporarily suspended, the results of both tenders will be amalgamated and a common striking price will be determined by The Stock Eschange and the representative of the Company by reference to both on- and off-market tenders. The decisions of The Stock Exchange and the

Company's representative as to the striking price and as to which shares have been successfully tendered shall be conclusive and binding on all shareholders whether they have tendered one or off-market. shareholders whether they have lendered one of off-market.

(is) At 9.30 a.m. on the first business day following the determination by The Stock Exchange and the tepresentiative of the Company as to which shares have been successfully tendered at or below the striking price, dealings in the Company's shares will resume and sales will be effected through The Stock Exchange of those shares which have been successfully tendered on-market. The terms of such on-market sales may in no circumstances be subsequently varied; nor will such sales or the settlement thereof be conditional on the approval of off-market purchase contracts.

(a) Sales resulting from successful comparies tenders will be for nearly

thereof be conditional on the approval of off-market purchase contracts.

(a) Sales resulting from successful on-market tenders will be for normal Stock Exchange Account Settlement on 25th June, 1984, being the settlement day for the Account ending on 15th June, 1984. Shatcholders who have successfully tendered on-market will therefore receive their proceeds of sale (less normal dealing expenses) through their stockboker or other agent in the usual wey once they have completed the normal formalities and provided a valid share certificate. The normal Stock Exchange rules for Account Settlement will apply and buying-to may therefore take place in the event of late delivery of shares.

(a) Successful off-market tenders will be subject to specific approval by

(ai) Successful off-market tenders will be subject to specific approval by shareholders in Entraordinary General Meeting to be held on 16th July, 1984. Upon such approval being obtained the proceeds of sale will be paid on 18th July, 1984 to those shareholders who have successfully tendered off-market and provided a valid share certificate.

The tantion consequences for shareholders depend upon the method which they employ in tender their shares as well as on their own circumstances. Your attendon th drawn to the section headed "Taustion" in the circular dated 2nd May, 1984. All shareholders are strongly recontinended to consult their professional advisers before tendering their shares.

Shareholders who wish to tender all or part of their shares through The Stock Eschange should instruct their stockbroker, bank manager or other professional adviser accordingly, indicating the number of shares in be tendered and the price or prices at which such shares should be tendered. Sales resulting from successful tenders of shares on-market will be subject to normal stock Exchange sale commissions, expenses and procedures for estitement.

Off-market tenders

On-market immers

A form of tender for those shareholders who wish to tender all or part of their shares of-market in available from the Company's Registrars, Bavensbourne Registration Services Ltd., 145 Lendenhall Street, London EC3 4QT; it contains instructions for lodgement which should be read

if shares are successfully tendered off-market, the purchase of those sha will be ambject to approval by shareholders and a further circular will be despatched on 22nd June, 1984 convening an Extraordinary General

The middle market quotations of the Company shares on the dates stated, derived from The Stock Exchange Daily Official List, were as follows:—
 Ist February, 1984
 0 eup

 1st March, 1984
 650p

 2nd April, 1984
 650p

 1st May, 1984
 710p

 3rd May, 1984*
 715pad
 *The intest practicable date before the printing of this notice.

The tender offer will close at 3.30 p.m. on Tuesday, 12th June, 1984. An

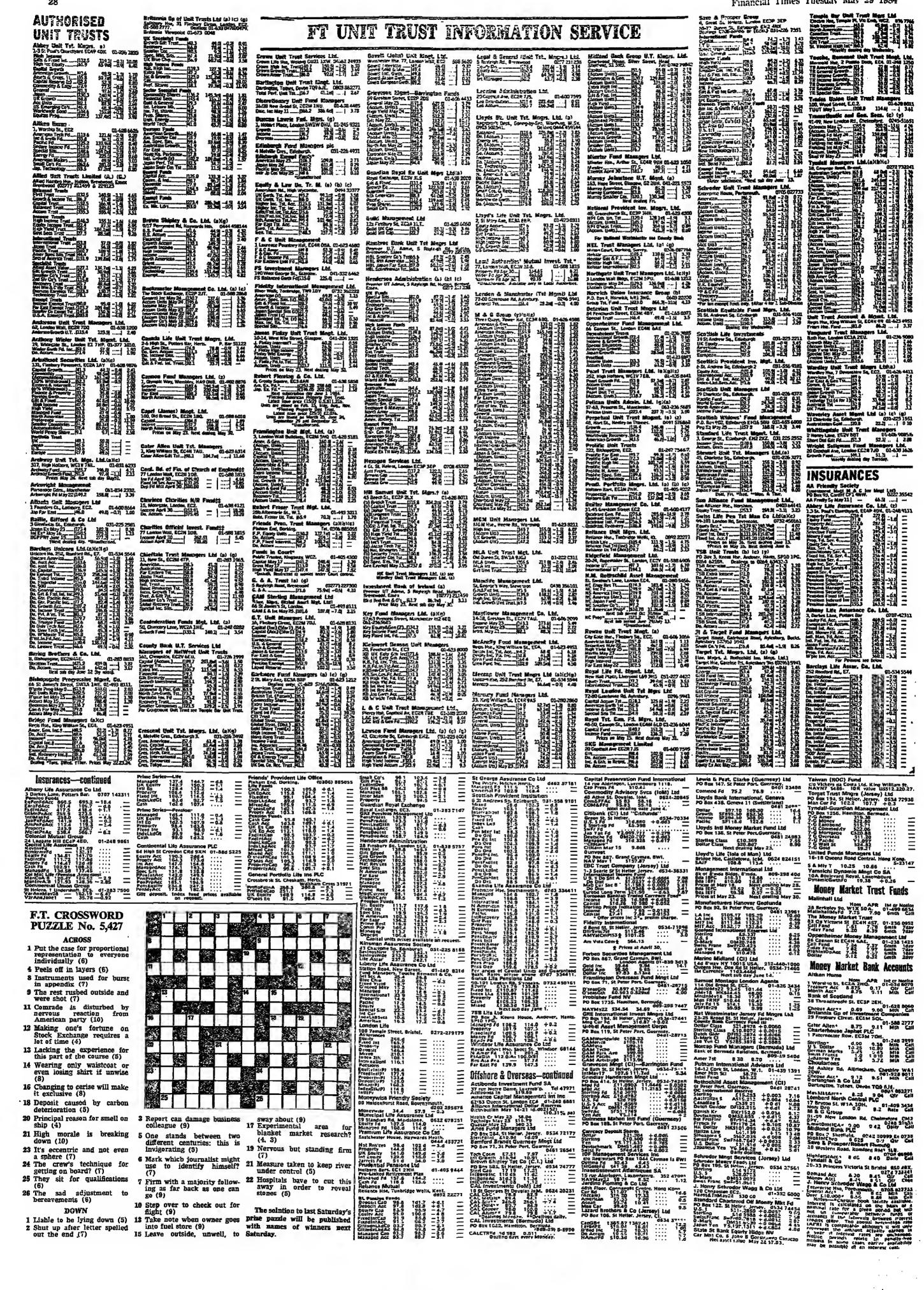
on Wednesday, 13th June, 1984.

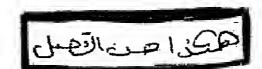
R-R 13 13¹4 12¹2 94 74 5 35 **Who is shedding** newlight on Saudi Arabian Banking? The Saudi Investment Banking Corporation (SIBC).
SIBC is the Businessman's Bankin Saudi Arabia We provide a comprehensive range of commercial and lovestment banking services to our corporate institutional and personal banking Short and Medium Term Finance ... Loan Syndications, Letters of Oredit and Guarantee, Foreign Exchange, Call and Time Deposits, Lease : Financing, Cash, Management Personal Banking and Fiduciary levestment Services Backed by a wealth of national and innovative banking products and services are tailored expressly to Contact: Antony E. Astoni, General Managet; Riyadh Telephans: (01, 477-8433, Telex, 201170, SIBCOR, الشركة المصرفية السعودية للاستثمار The Saudi Investment Banking Corporation The Innovator Head Office and Riyadh Branch, P.O. Box 3535, Riyadh 11481 Necdan Branch: P.O. Box 5577, Jeogah 2: 432 Al-Khobat Branch: P.O. Box 1581, Al-Khobat 39152

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ENERGY REVIEW

every Wednesday in the Financial Times





Perclays Life Ass. Cont.	Tuesday May 29 1984 E.T. Management Lbd. 15 Finthery Clean, Lend. F.C2M 701, 01-428 8131 G.T. Plan Bond Finel, 1265 133, 2 - 20 - 20 - 20 - 20 - 20 - 20 - 20 -	INSURANCE & OVER	SEAS MANAGE	D FUNDS	2110, Connaught Center, Hong Kong 4 Hill St	20 and Life Ass. Lid. reet, Duodas, 1586. 11
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Financial Times Tuesday May 29 1984 HOTELS-Continued FT LONDON SHARE INFORMATION SERVICE

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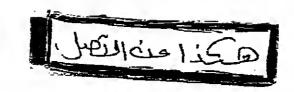
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Financial Times Tuesday May 29 1984 INDUSTRIALS—Continued OIL AND GAS-Continued LEISURE---Continued PROPERTY—Continued INVESTMENT TRUSTS—Cont. Stock Price ! ad | Net | Christish Price **NOMURA** REGIONAL & IRISH STOCKS The following is a sciection of Regional and Iroh stocks, the latter bring quoted in Irah currency.

Fin. 13"s 97:02 ... 592 ... 60 ... OPTIONS - 3-month call rates "Recent Issues" and "Rights" Page 16 Central African

Jan June Falcon 750c 200mth 9 5 | Q100d | 1278 |
Nov. May Wankie Col. 231 25 4 279 and 1729 an

CURRENCIES, MONEY and CAPITAL MARKETS

extent by speculation about a [

possible rise in London clearing

FINANCIAL FUTURES =

June 104.55

June 28 25 28.35 88.16 85.20 Dec 105.50

June 38 25 28.35 88.16 85.20 Dec 105.50

June 36.30 85.49 85.14 85.31 Previous day's compared to the com

FT-SE 100 INDEX

Close High Low P
June 104.55 100.30 103.20 104
Sept 103.65 104.65 102.60 103
Dec 105.50 — 104
Volume 731 [1,151)
Provious day's open int. 1,194 (962)

U.3. TREASURY 80MOS (GBT) 5% \$100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) Sim goints of 100%

High 50.36 88.70 88.15 87.79 87.56 87.28 87.10 88.96

THREE-MONTH EURODOLLAR (IMM) S1m points of 100%

Close High Low 87.99 88.09 87.93 86.65 88.78 86.56 86.93 86.14 86.89 86.51 85.68 85.41 85.19 85.22 85.15

GNMA (CST) 2% \$100,000 32nds of

65.23 64.12 63.00 62.08

64.27 63.10 62.10 81.24

61.12 68.26 60.13

Unch'd + 34 --0.24 +0,13 Unch' (

Un ch. +0.05 +0.05

Unch'

STERLING (IMM) \$8 per £

64.31 93.22 62.22 61.27 31.07 60.19 60.09

MILAN One month Thres month

DUSLIN Dos month Three menti

London—band 1 bills meters in up to 14 days, bend 2 bills 15 to 33 days, and bend 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or setting rates with the money market. In other course rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 8°c8-3_b.

CERT. DEPERIT (TMM) Sim pour

97.65 87,41 87.25 87.09 86.96

Close 90.18 88.63 88.04 87.71 87.46 87.27 87.10 86.96

June Segt Dec March June Segt Usc March

June Sept Dec March June

100%

WEEKLY CHANGE IN WORLD INTEREST RATES

May 29 'change

LONDON

THREE-MONTH EURDDOLLAR Sim points of 100%

THREE-MONTH STERLING DEPOSIT

Unis 90.31 90.35 90.27 90.45
5cpt 89.36 89.50 89.30 88.5
Dec 88.88 89.90 82.77 89.10
March* 88.42 88.48 82.42 88.5
June* 88.10 88.10 88.10 88.2
Volume 1.177 (2.184)
Previous day's open int. 8,611 (8,496)
* £500,000 points of 1001;

Close High Low Prev 1.3845 1.3855 1.3835 1.3830 1.3920 — -- 1.3880 1.4002 — -- 1.3980 me 100 (1.409) pus day'e open Int. 4.129 (3.617)

20-YEAR 12": NUTILINAL GILT E50,000 32nds of 100":

STERLING E25.000 \$ per E

DEUTSCHE MARKS IJM 125,000 S per IJM

SWISS FRANCS SwFr 125,000 S ger SwFr

LONDEN

TOKYD

8RUSSELS

AMSTERDAM Dns month Three menth

LONIEM
Base rates
7 day interbank
5 mth interbank
Treasury Bill Tender
Band 1 9ills
Band 2 Bills
Band 3 Bills
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3 Mth. Bank Bills

Close High Low Prev June 0.4323 0.4338 0.4323 0.4325 Segt 0.4395 0.4382 0.4385 0.4385 Volume 0 (35) Previous day's open in a JAPANESE YEN Y125m \$ ger Y100

FOREIGN EXCHANGES Several opposing factors

There were several opposing

BY COLIN MILLHAM

sharply last week 2s both currences suffered a loss of confidence and it was suggested that if any currency was to henefit from the present situation it would probably he the Trustella Probably took no decision yen looks very strong. But fears with regard to monetary policy should only be the trustella probably took no decision yen looks very strong. But fears should be should be the trustella probably took no decision yen looks very strong. But fears should be would probably he the D-mark. among investors in the U.S. Interest rates were the main

factor depressiog the dollar, factors influencing most of the amid comments that liquidity major currencies. The D-mark problems within the U.S. banking was regarded as the main beneamid comments that liquidity major currencies. The D-mark problems within the U.S. banking was regarded as the main benesystem coold put a limit on any ficiary from any flight from the upward trend in rates, and that dollar, but had to contend with if several banks apart from Con-tinental Illinois were experienc-ing trouble the Federal Reserve might be forced to inject so much

A draft agreement between might be forced to inject so much money into the New York money market that interest rates would fall substantially.

The Federal Open Market Committee met last week and the Uapanese currency and the

THE POUND SPOT AND FORWARD

| 1,2800-1,2850 | 1,3845-1,3865 | 0,25-0,23c dis | 1,780-1,7960 | 1,7920-1,7900 | 0,25-0,33c dis | 1,250-1,700 | 78,30-7,00 | 78,30-7,00 | 78,30-7,00 | 1,250-1,230 | 1,2-1c dis | 1,3-75-10,29 | 1,2290-1,2200 | 1,2290-1,230 | 1,2-20-1,220 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20-1,230 | 1,2-20

OTHER CURRENCIES

May, 25			i .	£
may. 25	£	8		· Note Rates
rgentina Peso	58.68-58.82	42.42-42.48	Austria	80.40-86,70
ustralia Dollar.	1,53 6 0-1,5380	1.1105-1.1115	Belgium	
razil Cruzeiro		1,550-1,558	Danmark	
Inland Marks	7.9495-7.9830	3,7775-5,7223	France	11,37-11,32
rock Drachma	149.40-149.70	108.00-108.50	Cermany	0.7512 0.701s
iong Kong Dollar	10.812.10 822	7 B140-7.8160	Italy	2320-2355
ran Rial	120.30	88.10*	Japan	319-324
(unwait Dinar(KD)	0.40985-0.41016	9.29580-0.22590	Netherlands	4.83-4.87
uxembourg Fr	70.80-70.80		Norway	
dalaysia Dollar	3.1915-3.1075	8.0085-2.3095	Portugal	188-188
lew Zealand Cir.	2 1325-2 1375	1 5420.1 5445	Spain	205-01454
audi Arab, Riyal		3 5206.3 5210	5weden	11.09-11.21
ingapore Doller	2 9085-2 8145		Switzerland	
th African Rand	1 7665.1 7705		United States	
AF Disham.	8 0863-5 0010	3 2720 3 0730	Yugoslavio	184-213

. * Setting rates.

	ECU central rates	emounts against ECU May 25	% change from central rate	% change adjusted for divergence	Divergence
Belgian Franc	44.9008	45.5439	+1.43	+1.36	±1.5447
Denish Krone -	2.14104	8.20226	+0.76	+0.68	1.6425
German II-Mark	2.24184	2,23413	-0.34	-0.41	± 1.0642
French Franc	2.87456	0.87874	+0.06	0.01	± 1.4052
Dutch Gulider	2.52595	2.51787	-0.32	-0.39	± 1.4964
frish Punt	0.72569	0.727937	+0.31	+0.24	王1.6699
ftslian Lira emm	7403.49	1380.91	-1.67	-1.61	±4.1505

bank base rates. The disappointing result of talks between the Nettonal Union of Mineworkers and the National Coal Board was partly respon-The dollar and sterling fell although the details are not yet the underlying position of the sible for pushing sterling to a record low against the dollar in

> able for the currency.
>
> Although the yeu gained ground on the depressed dollar during the week it lost ground to the Deutsche Mark. Sterling gained some support from concern about the oil supply situation, but thio was rather limited, while the pound

£ in New York

May 25 Prev. close 0pot \$1,3830.3840.31,3235.3250 1 month 0.24-0.26 dis 0.24-0.27 dis 3 months 0.76-0.72 dis 0.21-0.85 dis 12 months 3.40-3.50 dis 3.55-3.66 dis £ lorward rates are quoted in U.S. cents discount. was not helped to any great

FORWARD RATES AGAINST STERLING 9pot 1.3850 2.7725 11.6050 3.1125 320.75 1 month 1.3875 3.7525 11.6387 3.0996 320.00 3 month 1.3927 3.7383 11.7204 3.0700 318.22 6 month 1.4011 8.7039 11.8482 3.0267 310.12 1.4203 3.5413 12.0924 2.9426 369.09

BANK OF ENGLAND TREASURY BILL TENDER May 23 | May 18 | May 25 . May 18 £100m £100m Too Accepted rate of disco Bills on offar.....
Total of
applications....
Total allocated ...
Minimum 8,9846% 8,8843% ### Fast of discount | 8,9803% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8564% | 2,8 THE DOLLAR SPOT AND FORWARD

% Threa
0.s. months
-2.21 0.75-0.80dis
0.43 0.10pm-0.03d
0.26 0.88-0.66pm
5.34 4.33-4.34pm
-1.30 5-9dis
1.32 4.65-4.15pm
-9.46 180-480dis
-4.11 185-175dis
-4.09 15)-16/4dis
-1.62 1.20-1.70dis
-1.56 2.25-4.25dis
-1.50 2.22 1.90-1.40pm
4.25 24-22pm
-1.99 4.33-4.23pm
Forward premiums an ay 25 egread Glose Ons month 7, Ingra 7 One month

CURRENCYMOVEMENTS CURRENCY RATES 0.820021 1,00817 15.6870 45,5432 6.27874 1380.91 199.635 6.30051 125,545

*C\$/SOR rate for Mey 24: 1,34591.

EXCHANGE CROSS RATES

May 24	Pound Striing	U.S. Dollar	Dautsche m'k	J'panese Yon	FronchFrance	Swiss Franc	Dutch Guild	Italian Lira	Canade Dolla	r _i Selgian Franc
Pound Sterling	0.722	1,386	3,773	320,8	11.605	3,113	4,250	2334,	1,793	76,85
U.S. Dellar		1,	8,783	231,5	8.385	8,246	5.035	1686,	1,294	55,50
Deutschemark	0,265	0.367	11,76	92,02	3,078	0.835	1,127	018,7	0.475	20.38
Japanese Yen 1,000	3,119	4.318		1000,	36,18	9.704	15,25	7277,	5,588	239.5
French Franc 10	0,862	1,193	3,251	376.4	10,	2,682	3.662	2011.	1,545	66,22
Swiss Franc	0,321	0,445	1,213	103.1	0.728	1,	1,365	749,8	0,576	24. 3 2
Dutch Guilder Italian Lira 1,000	0,285 0,429	0.325	0,868 1,613	75,47 137,4	8,731 4,972	0.732 1,364	1.621	549.2 1000	0.422 0.768	18.08 58.03
Canadian Dollar	0,652	0.773	0,100	178,9	0,474	1,736	2,371	1302.	2,332	42.87
Belgian Franc 100	1,301	1.802	4,909	417.4	13,10	4,050	5,530	3037,		100.0

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	Frensh Franc	Italian Ura	Belgia Conv.	n Frano Fin.	Yen	Oanish Kroner
Short term	736-758 834-878 058-934 1073-1072	1016 1055 1014 1012 1054 -11 1115 -1115 1216 1215 1318 -1314	934-1014 10-1018 1032-1034 1112-1134 12 2-1275 13-1314	314-358 514-078 513-513 613-213 538-612 634-678	22-24 73-8 312-416 418-414 458-412 412-458	55g 534 55g 612 312 36g 613 614 616 616 66g 634	1134-12 1134-12 1176-1218 1536-1356 144-14-12 19-154	141 ₂ -161 ₂ 141 ₈ -131 ₆ 147 ₈ -155 ₅ 132 ₆ -157 ₃ 131 ₆ -135 ₈ 171 ₄ -175 ₄	12·12/2 12·2·15 12·4·12·4 12·2·13 12·3·13/4 15·4·13·4	1132-124 1112-1134 1158-1173 1119-1218 12-124 124-1219	534-578 378-0 6-3-675 338-513 338-312 012-638	1014-1014 21c-10 85a-101a 105a-107a 105e-1119 131a-127a

Asien \$ (closing retes in Singapore): Short-term 10th 10th por cent; seven days 10th-10th per cent; one month 10th-11th per cent; three months 11th-11th per cent; four years 13th-13th per cent; four years 13th-13th per cent; flow years 13th-13th per cent; flow years 13th-14th per cent; flow years 14th-14th per cent nomicel closing rates. Short-term rates are cell for U.S. benks and Japanese yen; two days' notice.

MONEY MARKETS =

Rates hover nervously

collapsed on Thursday after sterling had fallen to 9 record low against the dollar in New York; the talks between the National Coal Board and the Netional Union of Mineworkers broke up in disarray; the U.S. bond market weakened; and the Chancellor of the Exchequer of British Industry annual dinner **MONEY RATES** that money supply and the pub-lic sector borrowing requirement would rise sharply in coming

This led to suggestions the Government could not fund its deficit without a substactial rise in clearing hank base rotes, and ket rates were very firm.

At the same time it was generally felt in the money market that the authorities were strongly opposed to higher interest rates and might be prepared to walt until the latest events unwind in the U.S.

The Bank of England was prepared to buy some longer dated band 4 bills at 518 per cent on Friday compared with the general rate of 8% per cent, and

FT LONDON INTERBANK FIXING

LONDON INTERBAN (11,00 a.m. May 3	K FIXING
bid 11 8/4	offer 11 7/8
8 months L	.8. dollars
bid 197/12	offer 10 8/12
	ors the arithmetic the nearest one

Interest rates hovered nervously on the London money market as last week draw to a close. The gilt market virtually collapsed on Tbursday after sterling had fallen to a record low against the dollar in New collapsed on the continue of the market will stay liquid and low against the dollar in New collapsed on the continue of the market will stay liquid and the shortage, the short end of the market will stay liquid and the shortage, the short end of the market will stay liquid and the shortage, the short end of the market will stay liquid and the shortage, the short end of the market will stay liquid and the shortage, the short end of the market will stay liquid and the shortage, the short end of the market will stay liquid and the shortage. The short end of the market will stay liquid and the shortage are shortered to provide the shortage and the shortage are shortered to provide the shortage and the shortage are shortered to provide the shortage and the shortage are shortered to provide the shortage and the shortage are shortered to provide the shortage and the shortage are shortered to provide the shortage and the shortage are shortered to provide the shortage are shortered to provide the shortage and the shortage are shortered to provide the shortage and the shortage are shortered to provide the short and the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short and the short are shortered to provide the short are shortered to provide the shortered to provide the shortered to provide the shortered to provide the shortered to pr the market will stay liquid and pressure can be kept off the interest rate structure.

It is also possible the Government Broker will be prepared to cut his price of the tap stock te encourage funding, and against this background the Bank of structure interest rates, and is also likely to bold back at present. Strong to love a growth in the U.S. economy, for lowed hy inflationary pressure, cut his price of the tap stock to encourage funding, and against this background the Bank of strong linking base rates to little point in raising base rates to lo or 10½ per cent, only to see there seems little point in raising base rates to lo 10 or 10½ per cent, only to see growth in the U.S. economy, for lowed hy inflationary pressure, cut his price of the tap stock to encourage funding, and against this background the Bank of strong little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the little point in raising base rates to look at present. Strong the look at present. Strong the look at present strong the look at present strong the look at present. Strong the look at present strong the l

If thie is the case there seems

May 25 Frankfurt | Paris | Zurich | Amst'dam | Tokyo ! Milan | Brusscie : 5.3 -5.56 6.85-0.00 5.25-6.10 6.10-6.26 3.30-2.46 117g 10g-12 g 10g-12 g 12g-12 g 12g-126g 3.84372 | 181₈-107₈ | 11.00 0.21975 | 101₂-107₈ | 115₇.117₈ 1.9 879 4 3)2 55g 5|3-5|3 1174-1218 1172-1218 12-1214 12-1214 12-1214 6,26125 1668-17 616 616 316 616 1134 €1g

LONDON MONEY RATES Discount Houses Deposit and Bill Rates Steriing Certificat of deposi Overnight... 3.8 8-84 854 94 105 105 105 83₄ 91₄ One month.....
Two months....
1 hree months....
Six menths.....
Nine months.... 812 978 972 854-816 014-956 912-966 076-10 81g-834 979-0 018-614 012-934 058 918 1018 1019

	negetiable bonds	Local Authority Daposits	Heuse	0 Cert of Deposits	SIIR Linked Deposits	Linked Deposits	NEW YORK (4 pm)	
Ona month		_	85g	10,76-10,85	84.5	8 15 .01e	Broker loan rate	
Two months				11.85-11.高		94.04	Fed funds	
Three months.	101g-934	_	034	f1.6-11.7		03.0%	No fed intervention	(-)
8ix months		_	1014	f2,65-12,45	104g-105g	94.10		
Nine menths		_		12,55 12,76	~	·-	Treasury Bills	
Ins year			1059	12,9-f5, f0	11-1114	107-1019	Ino month	8.60
Three years		1143	_	} — ;	_ `	"-"	Two month	
Four years		11¼ 10	~	~	_	I —		
Five years		12	-	-	_	I —	Three month	9.61
_			. –	ı – !		J —	Six month	10.39
						of Interact	Una year	10.78
							Treasury Bonds	
from May, 1984	Londen at	nd Scottish	Clausica I	10uses As Back Pace	zocietion):	9 per cent	Two year	
CEIII. CONOUN	Telection Col.	u iur aum:	L OT BEUG	n deve i	notice EL.C		Three year	9823 ₂₂ 2
IIOGDUIT CINE.	WARIGHE TIL	IURL BILL OI	discond	8 GB177 ~	10 cant Ca	- IFI	Four year	36 ·~
109 MEDOSII IS	MIIAZ DI E	UPDOKIT NY I		nd ower b	meld ssada-		Five year	93%
a per cent one	-ı kree-mantn	8 24 DBF C	unt three.	eis months	95			
Moliula 102 (B	ı Canı: nine	-12 חוות או	104- cor	cant Unda	~ ~ ~ ~ ~ ~ ~	9 007 50-4		G4 'o
HADDI RAZY 29.	TIEGORIER LA	no unaer :	38ri38 4-5	10 par c	cent. The	rate for sil		98 ²⁷
denosits withdr	Rum ier res	h 7 oer rad					50	BO 17.

Granville & Co. Limited

Member of NASDIM 27/28 Lovat Lane London EC3R 8ES Telephone 01-621 1212 Over-the-Counter Market G1093 div.:p) 6 4 10.0 8.1 150.0 17.1 4.5 11.4 20.0 5.7 1.0 8.8 17.1 5.5 8.0 7.0

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eposits of £1.)00-£	50,000	2000	ned for	fixed	term	s of 3	10 yes	us, Interest pai e fixed for the
nair-yearly. M.	ates 10	r ospo		erras s			m Lo	.0~ 214	E BACO KA TIK
Terms (years)	3	4	5	6	7	g	9	10	⊃
		_		104		1	111	111	

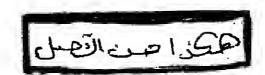
Imperial Life (U.K.) Limited Imperial Life House, London Road. Guildford, Surrey GU1 1TA 0483 571255 The unit prices of the ten funds comprising the imperial investment Portfolio of imperial Life (U.K.) Ltd. (inception date 1st February 1984) were as follows on the date shewn: Offer Bld 105.0 99.8 111.0 105.4 Offer Bid OHET 105.0 99.8 Ind-Link Gilt Fd 97.2 111.0 105.4 Intl Equity Fd 104.0 114.8 109.0 N America Fd 93.8 99.1 94.1 Japan Fd 113.2 101.4 96.3 High Yield Fd 102.7 Managed Fund UK Equity Fd Property Fd Gilt-Edged Fd Money Mkt Fd Prices as at 29th May 1984 IMPERIALLIFE

WORLD VALUE OF THE POUND

The table below gives the latest except whore they are shown to available rate of exchange for the gound against various currencies on May 25, 1984. In some cases rate is nominol. Market rates see the average of buying and selling rates Abbreviations: (A) approximate rate, no direct quotation available: (F) free rate: (F) based on U.S. deliar parities and going starting-deliar rates: (T) tourist rate: (Bas) basic rate: (bg) buying rate: (Sk) bankers' rates; (cm) cartificata rate; (nc) noo-commercia

	COUNTRY	CURRENCY	VAL E DF £ STERLIND	COUNTRY	CURRENCY	VALUE OF £ SYERLIND	COUNTRY	CURRENCY	VALUE OF £ STERLIND
	Afghanistan	Afghani	99,00	Greenland	Danish Kroner	16,836	PeruPhilippines	Sol	exe(A)4,275.31
	Albania	Dinar	10,06 (A) 9,8310	Drenade	Local Franc	8.74 11.605 1.3860	Pinippines	£ Sterling	19,07
	A-d	Franch Franc	11,605	# Quarry	ULS. 3	1,3850	PICCENTI INADOS	E Sterling New Zealand £	0,1350
	Andorra.,	Franch Franc Spanish Peseta	211.75	Guatemala	Quetzal	1,3850	Poland,	Zioty	154,53
	Angola	Kwanza	(CM) 43,7525	Guinea	. 5YII	32,80 111,80		Portugu'se Escudo	
	Antigua	New Peso	3.74 38.75	Guine a-Bissau Guyana	Guyanese 0	5,1913	Puerto Rico	U.S. \$	1,3850
	Australie	Australian S	1,6370	Haits	Gourde	6,9925	Qatar	Gatari Ryal	0,0340
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SECTION III

FINANCIAL TIMES SURVEY

WORL BANKING

Part two: THE BUSINESS OF BANKING

THE WORLD debt crisis may have dominated the headlines over the past couple of years. But many bankers might argue that their toughest battles

Couple of years. But many bankers might argue that their toughest battles lie a lot closer to home than the cities of Latin America.

The near failure of Continental Illinois, the collapse of Schroeder Muenchmeyer Hengst, even the heavy losses that Midland Bank took through its California subsidiary, Crocker National Bank—each in its way was more costly than the blackest prediction about LDC debt.

Add to that the bracing winds of financial deregulation that are sweeping through many countries and it is easy to see why the banking community would feel it was living through interesting times, even if it had never heard of Brazil.

Many of the strains, of course, have resulted from one of the worst recessions since 1945. As

worst recessions since 1942. As so often happens, banks tend to be hit hardest just when tha recovery comes, because that is when their clients finances are most tightly stretched. Even though the U.S. economy

began improving last year, that was precisely when things were tonghest. A total of 45 banks failed in the U.S. in 1983—the highest number since the Great Depression—and another 25 had gone by mid-May this year.

In the UK, where the recovery also got under way last
year, banks had to make their
largest-ever provisions against
had debts. So did banks in
many other countries.

Small wonder that the
number of Triple A banks left
in the world has chrunk to less

in the world has shrunk to less than a dozen and that bank than a dozen and that bank supervisors have been forced to take a more active role, pressing banks to beef up their capital, improve reporting standards and be more tight-fisted about dividends. Balance sheets are now becoming stronger for the first time since the late 1970s.

OUND

By **David Lascelles**

Banking Correspondent

Illinois was probably the most worrying because the rumours about its demise could so easily hava become self-fulfilling. They threatened not just the

U.S. banking industry but the Euromarkets in which the bank was funding itself heavily, and through that the banks in other countries. It was the classic and much-feared chain reaction. The Crocker losses, caused by unwise real estate loan-making, never threatened the system in the same way. But they provided a cautionary tale now tell their banks how much

the late 1970s.

The worst shocks were fortunately, isolated ones which exposed bad managersent and the nervousness of the financial markets rather than fatal flaws in the flavousness. Continental in banking law which should

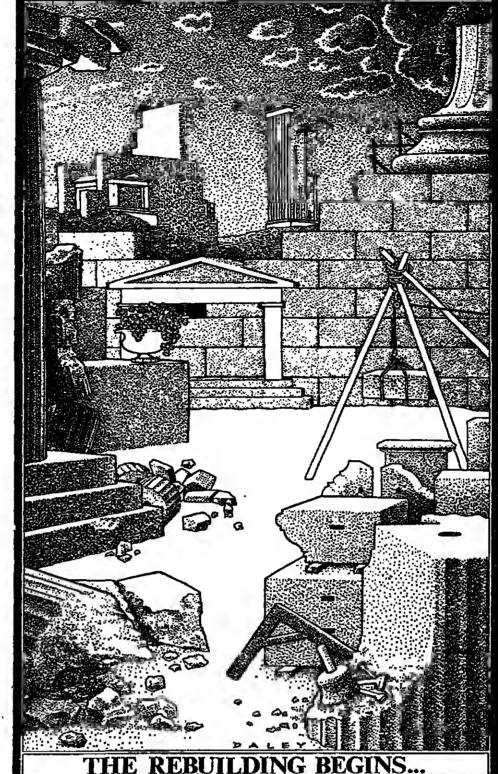
make it harder for banks to build up massive exposures to tottering iodustrial giants by Given all these traumas, it may seem surprising that bank profits were reasonably good last year, with double-digit in-creases—well above inflationary

recorded by most of the major international banks Some people have argued that this lodicates that banks were not setting aside enough reserves to cover their bad debts, not "suffering" enough, particularly in the U.S., where banks have preferred to treat their Third World problem loans as "non-accruing" (not rigiding interest) enther than

yielding interest) rather than as assets to be written down. Who is to say what represents adequate bad debt reserves? they provided a cautionary tale for other banks seeking to follow Midland into the U.S. market. Whether it will put them off is another matter: a U.S. foothold is still seen as a "must" problem countries. There is my most large banks, but Midland taught them that keeping tight control is vital.

Like Herstatt, the SMH affair belied West Germany's carefully tended reputation for run-

But there is more to the profits picture than that. Banks CONTINUED ON



Parged of some of their excesses, better capitalised and set in a more benian climate, the world's banks have reason now to be more optimistic after the stormy periods of recent years. Already post-crisis recovery patterns are beginning to emerge.

IN THIS SECTION

Banking business developments:

Deregulation: mergers bring a conflict of interests Credit cards: big potential to be tapped in Europe Trade and Export finance: quest for new sources Correspondent banking: enjoying a fresh lease of life Merchant banking: learning to live by their wits Leasing sector: UK clearing banks lick their wounds Consortium banking: a declining sector Project finance: the business of sharing risks

Offshore banking centres: The Far East: Singapore, the "Zurieh of Asia" Luxembourg: a generous policy on debts Channel Islands: Jersey thrives on foreign current The Caribbean: business is improving Bahrain: a trend moves towards financial services

The communications revolution:

Technology: no bank can afford to lag behind

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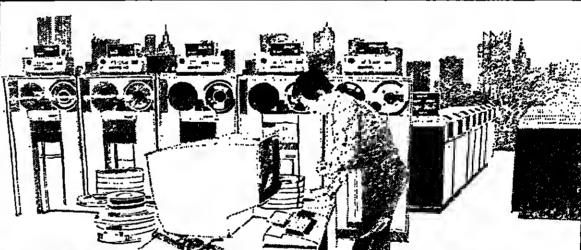
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Other countries in Europe and North America were featured in Part One is this survey.

Part One of this Survey appeared on Monday, May 21



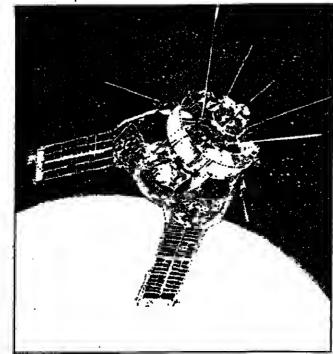
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UK mergers bring a conflict of interest

WHEN BRITISH officials recently examined one of the many banking-securities mergers that are rapidly transmany banking-securities mergers that are rapidly transforming the U.K. financial scene, they found no fewer

than 13 potential conflicts of interest. The combined group (officials won't say which one) was active in banking, insurance, stockbroking, marketmaking and investment management. As one official pointed out, it was on three sides of the investment market at once: as investor, broker and market maker.

Deregulation

DAVID LASCELLES

Similar rows are brewing in Canada and Japan, where bank laws are closely modelled on those of the U.S., and where

bankers glad to see others be

The decision earlier this year

tbe pioneers.

ties markets.

deregulation.

"They did not just have dual capacity," be said. "They had triple capacity." He might have added that the group had a fourth capacity as well, that of

investment adviser. This does not mean that the merger will be stopped: the British Government still hopes to create some kind of regulatory framework that will allow the UK financial services revo-lution to go abead with safe-

these of the U.S., and where aggressive institutions are making challenges of their own. Ironically, much of the running in Japan is being made by U.S. banks which deliberately ignore the niceries of local banking conventions—to the pleasure, it may be said, of Japanese bankers glad to see others be guards against conflicts.
But it bighlights one of the
big hurdles that the industry
will have to leap not just in the but in many other major banking markets as well before the day of the all-round finan-cial conglomerate arrives—if that is indeed where it is

There is little doubt that the revolution is reaching a critical stage for the banks. The euphoria that greeted the early deals in the U.S. between stockbrokers, insurance companies, department stores and almost anybody who cared to join (except banks) has evaporated. The process of change seems

to have got hogged down in a legislative quagmire, created partly by the bostility of special interest groups but also by the argument that "they didn't pass Glass-Steagall for nothing."

It now seems unlikely that the Reagan Administration's Bill to allow banks to enter new fields like insurance, real estate development and bond under-writing, widening the lead that the non-banks have already built up over the banks, will get through this sessioo. This is as frustrating for hanks with grand.
ambitions as It is for U.S. bank
supervisors who have to
admioister laws that bave all
commercial
traditions that bave all
bight diverse that hnt collapsed, so shot through are they with holes.

or does their status as takers of other peoples' money

• If they are free to enter new fields, how should conflicts of interest be prevented and how can the risk of loss be con-

 If they are not free to enter new fields, should banks be compensated for their obvious and growing handiceps vis-a-vis the investment community, which also takes in people's money but is less beavily regu-

To what extent do objections to deregulation stem from genuine concern about the safety of the banking system.

safety of the banking system.
or from special pleading?
The view that banks are special seems strongest in the U.S., particularly among regulators. Mr Gerald Corrigan, president of the Minneapolis Fed, argued the case last year, "because they offer current accounts, provide liquidity for other institutions and act as a transmission belt for monetary policy, we should not be indifferent to the scope of financial services offered by banking organisations," he said.

Relaxed view

The decision earlier this year by the Ministry of Finance in Tokyo to allow Vickers da Costa, the London atockbroker recently acquired by Citicorp, to keep its Japanese trading licence was a tandmark because it gives a bank, for the first time, direct access to the Japanese securi-ties markets. Such views delight the anti-deregulation hrigade and are another reason why change in the U.S. is likely to be slow.

The UK takes a more relaxed line. The Bank of England has been actively encouraging banks to form securities groups, though more to enable them to Some might say Japan was builtied into allowing it by the U.S. Certainly, the Ministry will not allow the floodgates to open. But that development, plus the U.S. banks' simultaneous assault on the Japanese trust business, mean that Japan, too, is being forced to grapple with the Gordian knot of description. compete with well-capitalised U.S. and Japanese securities firms than out of well-formed convictions that that is where

the banks' future lies.

Mr John Fforde, a former adviser to the Bank's Governor, has said hank securities opera-The picture is complicated, however, by the parallel debate over scrapping interest rate controls, a bridge that tha U.S. tions might have to be insulated to protect the rest of the bank from loss, and perhaps banks entering the securities business should have stronger capital ratios to reflect the higher risks these countries' traditions are highly diverse, tha issues can be bolled down to:

they face.
But, he said: "It would not

requirements in advance, based

on their preconceptions."

In the long run, the most significant point about deregu-lation in the UK may be that it should enable banks to keep pace with the rapidly changing face of finance. The tax and regulatory reform policies of the Tory Government, never the bankers' friend, have given an enormous boost to the

an enormous boost to the cepital markets and greatly enhanced the attractions of bond and equity figure.

This new hias against bank lending could be very damaging to the banks, were it not that they can follow the change by entering the securities busiby entering the securitics business themselves.

In the U.S. this right is still denied to the hanks, at least on their home turf, though with their customary incomity they have found ways of sticking several feet in the door.

When set against Barclays' sbility to put together a £100m securities firm combining a leading stockbroker and jobber on the London Stock Exchange, with its own vast capital resources and 3,000 branches worldwide, being "special" in the U.S. sense seems to carry

quite a high price. Bitter battles obviously lie Bitter battles obviously lie ahead, but it is hard to escape the conclusion that tha banks will get what they want in the end. In many ways, the fait is already largely accompliting capital markets groups of glants like Citicorp and Chase Manhattan already rank among the mandal's largest accounties. the world's largest securities operations, though admittedly in bonds rather than equities.

In Japan, domestic restrictions have merely driven the banks abroad: and in the UK events have moved so fast that the new regulatory structure will have to be built round tha new bank-securities groups

new bank-securities groups rather than ahead of them. While concerns about con-flicts and risk are strong the question is not whether they will stop tha whola process in its tracks so much as how they can be accommodated.

Big potential to be tapped

CREDIT CARD companies see Europe as the area of major potential, for much of it is still untapped.

Banks in both West Germany

and the Netherlands, for instance, still resist anything but charge cards—the travel and entertainment cards issued American Express, Diners' by American Express, Club and Eurocard—or cheque

Visa and MasterCard, the two competing international credit card companies, in association with their affiliates have achieved the greatest penetration within Europe in the UK. The market in France - now taking the lead with microchip or "smart card" development ls also growing fast but limited by the fact that credit card accounts have to be cleared

within 30 days. After the U.S. and Canada, the UK is now the third biggest credit card user with a market growing at the rate of 14 per cent a year. The growth potential in the U.S., where it all hegan, is now limited, particularly for bank cards. Retail store groups in the U.S.

now bave about balf of the market, with the remainder split more or less equally between the banks and the oil companies. Bank credit card usage peaked in 1979 and is not expected to reach those levels again. There are estimated to he

over 500m cards in use in the U.S., representing 80 per cent of the world total. Canada also has one of the highest proportions of card-owners and the greatest concentration of Visa

used in Britain has risen by over 50 per cent over the past five years, with some 22m cards now in circulation. But whereas nine in 10 adults in the U.S. hold credit cards, only one person in three in Britain is a cardholder and he or she usually only has one or two cards.

The card companies are therefore targeting a major promotional campaign at this market. Visa and Access have substantially increased their advertising budgets in the UK over the past 18 months or so and are estimated to be spendand are estimated to be spend-ing about £2.5m a year. So is American Express. 20 per cent a year, American Express

Barclaycard, affiliated to Visa, and Access (affiliated to Master Card) have about equal shares attempting to increase their of the UK credit card market— market is through new 42 and 43 per cept respectively. But much of Barclaycard's market is a captive one because the card, like Trustcard, also Visa-affiliated is a dual-purpose device which can be used as both credit card and cheque guarantee card for Barclays top income people, those with Bank current account holders more than £20,000 a year, these has thus been captured already. credit cards.

Credit cards MARGARET HUGHES

launched jointly by National Westminster, Lloyds and Midcard initiative, and since joined operate in much the same way by Royal Bank of Scotland, as cash dispensers, with the Williams and Glyn's and Bank cardholders getting fuel instead by Royal Bank of Scotland, Williams and Glyn's and Bank of Ireland-the market penetration of their collective account holders is only about 30 per

There is thus far greater a market which Barclaycard is also competing for. New com-petition is also expected from the building societies, while store cards are taking an in-creasing share of the retail market It is likely to be stepped up now that chain stores like Marks and Spencer have decided to launch their

The longer-term potential for credit cards in the UK will be even greater as both the numbers still paid in cash and the proportion who are "un-banked" diminishes. It is significant that over the past six years, particularly since the launch of the Trustcard, there has been a rapid and marked increase in the number of card-holders among both clerical and blue-collar workers.

"Plastic money" accounted for over 250m transactions, with an estimated total value of cards anywhere in the world, almost £9bn, last year. Credit so that the scope for growth there is similarly limited.

The amount of plastic money although in a still cashused in Britain has risen by over 50 per cent over the past five years, with some 22m cards now payments. Casb still accounts for 48 per cent.

Bank-issued credit cards account for the bulk, with 15.6m in issue, followed by store cards, with around 4.7m, and then travel and entertainment .(or charge) cards with over 1m. Cardholders are increasing at the rate of 14 per cent a year and actual usage by nearly 18

The number of transactions involving the use of plastic

One of the ways in which credit card companies are products, American Express set the ball rolling with its Gold Card, since followed by the other card companies with either Premium or "gold"

Aimed at the estimated 1,2m (or Trustee Savings Bank cards usually have no credit account holders in the case of limit and provide additional Trustcard). Most of Barelaycard benefits, especially on the and Trustcard's natural market travel and insurance side. But the most attractive feature, and even though, in practice, not all the reason why they are issued use their dual-purpose cards as by baoks, is that they offer an automatic, unsecured overdraft Access—the facility al favourable interest rates.

The card companies are also establishing links with new out-lets. Access had linked with BP. Visa with Amoco and Randay card with Texaco to capture the lucrative garage forecourt market. The motor trade attracts the highest value of credit card business, represent-

ing 25 per cent of the total. In these pilot projects, creditof cash.

To gain a further foothold in the motoring field Visa has also linked with the Automobile Association and the Bank of scope for recruitment, but it is Scotland to offer AA members a credit card with extra benefits. The most important are free personal accident cover plus the fact that unlike other credit cards, the whole of the outstanding debt is auto-matically cleared if the cardholder dies.

A major development will be the use of credit and charge cards to obtain cash from cash dispensers. This is already possible on a domestic basis now. Credit cardholders with the appropriate magnetic striped card and PIN (personal identification number) can obtain cash from the bank ATMs (antomated teller machines).

Since interest is charged immediately, however, and most cardholders have their own hank ATM cards, it has limited

Network

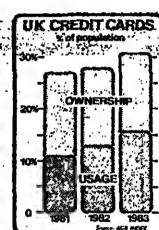
What both credit and debit card companies are now nego-tiating is an International network of reciprocal dispensing facilities which will enable the cardholder to draw cash when away from home.

With debit cards like American Express there would be a direct debit from the card-holder's bank account and with credit cards the cash advance would be charged to his card Another major advance will

involve direct debit at point of sale when or if the clearing sale when or if the clearing banks go ahead with their plans for electronic funds-transfer at point of sale (EFTPOS). Consumer resistance to direct dehit in credit-oriented societies such as the UK and U.S. has still to be overcome, while the problem of how the capital cost should be shared between retailers and banks has also to he resolved. he resolved.

As an Interim measure, largely to improve security, there has been the recent agreement by Access, American Express, Diners' Cluh and Visa to form On Line Card Services to infroduce in the UK its Card Link system. This is a counterdialled telephone line to a signature which can be read central computer which holds only by a similar lons. a list of stolen cards.

Some 1,000 are already installed at retail outless and though operating as authorisation ferminals at present could mical costs.



be extended to include elec-tronic funds transfer needed for direct debit. Visa has already developed its Electron card, which could be used for both EFTPOS and to draw cash from ATMs.

More ambitious still is the "cleva" card which carries a tiny microchip computer within the thickness of the plastic. Each card's chip memorises tha credit limit issued to It initially by the bank. Once the customer makes a purchase the sale is debited and the balance adjusted accordingly in the card's memory. Developed in France, it is now being test-

marketed there. In Britain a battery-powered variation is being developed. Acting as a small personal com-puter, this could be used as a

credit card and be used as a credit card and be capable of doing other things.

An additional advantage of the "cleva" card is that it would be able to carry additional details to identify the cardbolder.

Frand is a major problem for the card companies, involving losses of around \$400m in the U.S. and some £30m in the UK. Though large, these numbers represent only a small per-ceptage of these particles. centage of turnover-between 0.25 per cent to 0.5 por cent. This means that fraud prevention has to be economically viable and should not exceed

the actual losses. Magnetic stripes with PINs are now being used on credit eards, while Access recently incorporated a while light hologram on its card. This is a three-dimensional image which can be seen in ordinary light and provides o visual guarantee that the card is genuine and,

It is argued, too costly to forge. Coonterfeit cards ore less of a problem in the UK than they are in the U.S. however. In the UK rost fraud occurs when

lost or stolen cards ore used. Other alternatives now being considered include the conversion of a signature into a digital code and the use of a lenticular top authorisation terminal code and the use of a lenticular linked over an automatically lens to produce a photographed

> As with all other methods their use will be determined by the delicate balance between improved security and econo

Here and on the following page FT correspondents highlight six key areas of banking and finance

Quest for new sources of finance

TRADITIONAL METHODS of trade and export financing are becoming less and less attractive now that the industrialised countries are committed to stop subsidising

The higher premiums which export credit agencies are now forced to charge to offset their losses arising out of the world debt crisis is a further drawback. All this coincides with the lack (or shortage) of hard currency and poor credit ratings of importing countries which are suffering external debt problems.

Banks and exporters are thus being forced to turn to alternative forms of financing some of them old, soma of them new. They include forfailing, barter or counter trade, multicur-rency financing and use of the domestic and Eurobond

It is hoped that eventually borrowers will accept floating-rate finance instead of the fixedrate long-term financing they have grown used to. More use is also being made of aid funds particularly in combination with export credits as "credits mixtes" despite U.S. Governholds on to them, assuming responsibility for collecting the payments when they fall due, or it sells them on to a second-

One method which has gained in popularity is forfaiting, the non-recourse discounting of trade bills or promissory notes guaranteed by the importer's

Forfsiting originated in Europe as a means of guarantee-ing repayment of export deals with Comecon countries. But it is now being used more and more in the U.S. and other industrialised countries to the extent that it is now estimated to be a \$10bn market. It is most appropriate for medium-term transactions of two to five years involving the shipmant of manufactured goods.

It gives the importer access to credit which might not otherwise be available to him and gives the exporter a quicker return on bis goods than conventional export gradit agency. ventional export credit agency backed financing while freeing him from any further financial responsibility for the trans-action. The exporter does not have to bother about collecting payments.

Its use may, bowever, be limited in those debt-burdened countries where domestic banks are either unable or unwilling to guarantee importer's trade bills. For these customers barter trade and counter purchas-ing and variations of them are increasingly important tools for financing exports—to the extent that some banks are becoming directly involved and setting up own trading divisions.

This form of trade financing also owes its origins to trading with the Eastern Bloc countries. but is becoming an increasing factor in trade between deve-loping and industrialised countries. GATT estimates that 8 per cent of international trade deals now involve some form of bartering although others put the figure as high as 40 per cent. Liquidity problems associated

with importing countries bas also revived the use of ronfirmed irrevocable letters of credit (CILCs). Normally, exporters prefer not to demand them because of the implied mistrust of the customer but into it as a means of both protecting themselves from possible Government intervention and avoiding the risk of baggling over delayed payments at

Difficulties

ments, etc.

Under a confirmed CILC there is the additional security that an "advising" bank (to the exporter) ronfirms that it will honour the drawings on the

irrevocable credit. But the present difficulties in export financing are not confined to trade with developing or debt-burdened countries.

Exporters also face problems in the financing of their sales to the industrialised world. Since the industrialised countries agreed to phase out Since the subsidy element in export credits they have often become more expensive than market rates, particularly when exports to the "relatively rich" and "intermediate" group countries are involved.

In an attempt to alleviate the In an attempt to answige ine problem, export credit agencies have developed a low interest rate currencies scheme (LIRCs) which allows government to support loans in those currencies where the market rates are cies where the market rates are below those of the Consensus for exports to relatively rich countries. But this scheme ao far proved to have little

Banks are therefore looking at alternative sources of fixedrate finance and in particular the possibility of financing exports on a "pure cover" basis. Under this arrangement the export credit agency would still extend the guarantee but would not provide any interest rate

The interest rate would be a matter of negotiation between the banks and the borrower and be market-related. The obstacle that has still to be overcome is that of providing the long-term fixed-rate export credits that buyers require from funds which banks have to raise at both floating rates and on a thort-term roll-over basis. Banks have yet to come un

with any alternatives which have been put into practice. One mechanism which seemed close to getting off the ground was the use of Eurobond or domestic bonds markets using "pure cover." In theory, issuing a bond backed by a government guaran-tee would provide the borrowers in the "relatively rich" category of countries with a cheaper

source of funds. There would also be a cost saving by eliminating the specific bank guarantee pre-But the insurance mium. premium required for "pure cover" would still have to be miums have been increased it has offset the pricing advantage in the bond market that would be gained from a government

Bankers bave thus been board, but they are still bopeful that some variation on this schema can be used to finance exports.

Sector receives fresh lease of life

Correspondent

banking

MARGARET HUGHES

The impetus for improved

efficiency has also come from outside the banking industry—

from the corporate customers whose needs are, after all, the raison d'être of correspondent banking. This aspect of banking has developed from the

expansion of world trade, with most of the services which the

banks provide each other ulti-mately meeting the needs of customers involved in trading with or investing in countries other than their own.

U.S. banks, in particular,

L.S. banks, in particular, have seen a sharp reduction in their free balances, which have been cut back by over two-thirds to less than \$5bn over the past four years. This trend is also being felt in Europe with more services being charged on a fee or completion.

charged on a fee or commission basis, but to a lesser degree. Compensating balances still

remain the main mechanism of payment for correspondent

payment for correspondent banking services in Europe. But these services are being more explicitly costed and priced as banks place more emphasis on making each ser-vice profitable in its own right irrespective of bow it is paid

Correspondent bankers are

also realising the advantages of

payment by fees or commissions,

which are both quicker and

There is also greater awareness that charges should be oriented

towards markets and customers

rather than product-related, given that the needs of markets

and customers vary widely.

New technology bas enabled

more fully informed. They are now conversant with a much wider range of financial tech-

CORRESPONDENT BANKING—the banks' own hanking system—has lnng been the old maid of international banking. But over the past two years or so it has taken on a new lease of life as banks rediscover the attractions of their correspondent banking relations—forced as they are to look elsewhere for profits now that credit margins have been pared and lending appartunities are fewer.

Correspondent hitherto a fraternal, loosely-managed business traditionally based on personal contacts, is now being regarded as a highly

now being regarded as a highly competitive, aggressively-managed area of banking.

Banks now see it as a separate profit centre and are setting up special divisions under senior management to handle their relations with other banks. Career correspondent bankers are being pondent bankers are being trained for this particular Even financial journals hiring people to write specifically about correspondent bank-

Hitherto, reciprocity was the name of the game. Respondent banks were content to leave their free or compensating balances with their correspon-dent bank. These balances more than met the cost of the services which they required from their correspondent banks, which in turn bad access to low-cost funds on

which they earned interest.
Then came the era of high interest rates, which initially turned correspondent banking into a bighly profitable business because of the bleb returns the participative banks were able to earn on those free balances. Newcomers were also attracted into the business.

Impact

But it wasn't long before the respondent banks began to look hard at the large holdings of non-earning balances they had with their correspondent banks. The technological revolution accelerated the process, making it easier for banks to monitor and manage their funds, including their compensating balances. As a result there is much

greater evaluation of interbank relationships, with respondent banks requiring a broader and more efficient service from their correspondent banks. They, in turn, are having to evaluate the costs of providing these services and moving more and more to explicit pric-ing for each service. services which they can obtain from their banks, enables them to manage their funds better. As a result, companies are now demanding a much wider now demanding a much wider and more complex range of services from their banks. This

in turn is redected in services provided wi correspondent banking. In meeting these needs tech-nology has become as crucial to correspondent banking as it is to the corporate treasurer. As the division beads of one of the leading players in the field puts it: "Correspondent banking is now a system-dominated game. Ironically, It is those very systems that have lost the cor-respondent banks their lucrauve

free balances and forced them

to re-evaluate their services as

well as their costing and pricing.

options and financial futures. This, combined with the treasury and eash management

Services

Given the broad range of services now required within correspondent banking, not all banks will be able or even want to provide them. Fewer still will be prepared to invest in the new technology now needed to provide these services. It is significant that Midland Bank. very much the bankers' bank in London, bas been in the forefront of technological advance on the funds transfer

de. Midland was the first of the automated funds transfer system providing corporate treasurers with a direct link through their own computer terminals to Midland's own automated payments system, Itself linked to international transfer systems such

Midland Bank also accounts for 33 per cent of the volume and 35 per cent by value of the CHAPS, the UK clearing bouse automated payments system. Midland expects CHAPS to bave a "very significant" role in

correspondent banking too. Once it becomes the main UK clearing system, probably in about a year's time, all sterling transactions, whether domestic or international in origin, will be settled through CHAPS. It will then be a key link in cor-

Good reasons to be cautious

CONTINUED PROM FRONT PAGE

have also been waging war against costs, paring staff, shut-ting down marginal operations, and trying to boost earnings from other businesses like foreign exchange and securities

Tronically, Latin America also remains highly profitable because loans that are still performing carry generous spreads, and many banks have large local businesses there. Citicorp, for example, re-ported net income of \$282m on

its \$18,516m of Latin American assets last year, a bigger return than it received on its nearly doubla \$30,461m assets in Europe, the Middle East and Africa. One reason is that a good part of these earnings was in Brazilian cruzeiros which, as

set in a more benign climate, the banks have reason now to be a bit more optimistic, though be a bit more optimistic, though it would take only another point or two on the prime rate to start the whole structure quivering again. But already the post-crisis patterns are beginning to emerga.

Banks are turning with re-newed interest to their bome

Trade and

export finance

MARGARET HUGHES

bank in his own country.

the exporter's request a bank buys at a discount the debt which the exporter bas arranged for his foreign customer onca

the deal has been concluded.

ary market provided by forfait specialists.

The bank concerned either

markets, seeking out quality borrowers and sources of stable long-term funds. Their more far-flung international escapades are over, at least for the time being. Another factor is deregulation, which is forcing banks both to protect their interests and prepare for new

opportunities.
In nearly all the major financial markets change is afoot, which cannot be a coincidence good part of these earnings was even though it affects places as in Brazilian cruzeiros which, as diverse as New York and a competitor points nut, "are Tokyo, London and Sydney. If not quite the same thing as there is a common theme, it is Tokyo, London and Sydney. If conquer new markets, even if it LDCs—there are good reasons there is a common theme, it is means that in return they have to be cautious when banks try the wish to remove protective to pay their depositors high something new.

found it necessary to construct at some stage in history to spare banks from excessive competition, by controlling interest rates, restricting entry to the market, or confining banks to the business of banking. The moves, orcbestrated

mostly by governments with free market leanings, recognise that technology, the inflation-battered saver's desire for real returns, and the ability of other institutions like stockbrokers banks between those who have money and those who need it, bave all raised enough questions about the traditional role of a bank if not already made it obsolete.

The reform movement seems to have split the banking com-There are chance to break out of the regulatory straitjacket and

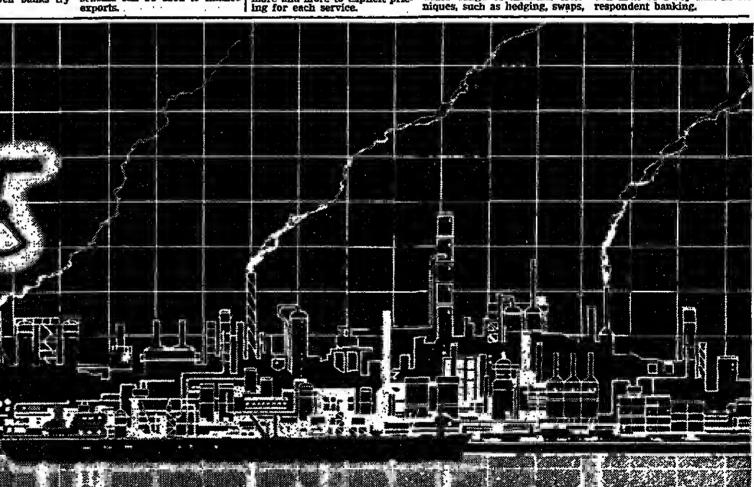
Purged of some of their barriers that most countries rates of interest, raise more excesses, better capitalised and found it necessary to construct capital to shield themselves against greater risk, and admit newcomers into their own mar-

Others hold to the view that

should be a protected species.

The way the wind is blowing, the reformists seem to be in the ascendant thoogb ooly the UK, among the major banking markets, has experienced epoch-making changes that could lead to the merging of the securities and banking industries, as in the "universal banking" countries like West Germany or the

Whether these changes will necessarily make banks more profiatble or better-equipped tn prosper in the brave new fin-ancial world of the late 20th century is another matter. There is an assumption that they will But as successive banking crises have shown — including the



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LA CRESTOR

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Living by their wits without privileges

Merchant banks

kind of massive distribution

capability which the investment

More commonly the threat omes from the big commercial

banks, which are reluctant to be shut out of some of the most

profitable areas of activity. In the UK, Barclays is buying a

major stake in the future of

the stock market through the

player on the world's capital

Telecommunications

bave sprung up in securities, foreign exchange and liquidity,

largely superseding trading floors except in specialised futures markets. This process has rendered many traditional

banks have never enjoyed.

TRADITIONALLY they sat in quiet, dignified, panelled on Tokyo, London and New rooms talking with authority to leaders of industry and York. The same pattern is commerce and relying on their contacts, experience and ingenuity to fix a deal here and dream up a clever scheme there.

Today, more and more, they are forced to earn a living on a crowded trading floor, amid the shouts and the shirtsleeves, relying on their sensitivity to market trends to make a dealing turn or to syndicate a loan. It is not so comfortable but if done properly it can be a lot more profitable.

In New York they are called investment bankers, their role rigidly separated from true banking for the past 50 years by the Glass-Steagall Act. Lon-don'a equivalent merchant bankers have been less hampered by regulation; but com-mercial logic has also dictated that they should progressively move ont of the pure lending business, where they are rarely competitive nowadays with the hie commercial banks.

With the promised opening up of the London Stock Exchange to outsiders — already merchant banks like Warburg. Morgan Grenfell and Samnel Montagu have bought minority stakes in London broking or jobbing firms — the London merchant banks are clearly moving in the same general direction as the New York investment banks.

No two are precisely alike in emphasis. But they concentrate on those areas of the financial markets where individual skills are of paramount importance. The securities and money markets, precious metals, corporate finance advice and investment management are the type of areas where they are most at

Influence

Merchant banks do not, how-Merchant banks do not, however, have any precisely defined zones of infinence. Such tangible privileges as they once had in London — such as specially favourable discount rates at the Bank of England — have been whittled away. They bave to live by their wits; and they are under constant attack from several directions. and they are under constant attack from several directions.

For instance, U.S. securities bouses — the best exampla being Mervill Lyncb — bave furned themselves into broad financial conglomerates, combining specialist skills with the

beginning in equities.

The securities markets are increasingly becoming the core business of the investment and merchant banks. Once these banks were dominated by the individual deal-makers, shadowy but powerful in-dividuals who obtained much of their business through longatanding relationships — by knowing tha right people, even sitting on clients' boards.

But the amazing rise to prominence of Salomon Brothers, from modest origins as a bond trading house, has typified the change in the business environment. Salomon has successfully attacked the cor-porate finance business from the market trading end, where it has great expartise in packaging and pricing new issues, rather than through the traditional old boy network. Other New York bouses have

also been building up their trading operations, though the etresses can be acrite - as at Lehman Brothers, where tension between the traders and the traditional corporate finance men lad to a boardroom struggle and the sale of the firm dual purchase of Wedd Durlacher and De Zoete and Bevan, adding to an already existing merchant banking sub-sidiary, while New York-based Citicorp is becoming a major earlier this year to the American Express group.

Merger

The absorption of Lehman Nearly all the merchant banks into a larger group, following on both sides of the Atlantie the earlier merger of the part-nership of Salomon into the listed company Phibro-Salomon, emphasises the need for new capital which follows from the on both sides of the Atlance are in the throes of a strategic rethink. In a narrow sense this is due to deregulation in various forms, but technological change probably presents a more fundamental challenge. development of the role of investment and merchant banks into securities market-making become much more efficient and

on a major scale.

The number of remaining partnerships on Wall Street is dwindling, and although many London merchant banks are public companies their shares are often tightly beld and the requirement for large lumps of vastly cheaper in the past two decades. Telephone markets requirement for large lumps of new capital will call for painful

UK clearers lick their wounds

ousiness are as vulnerable to that accounting conventions the vagaries of government as demanded: 25 per cent. Now, leasing, because of the key role played by tax levels. But there is no doubt that the UK Government's recent decision to phase out capital allowances was a bombshell which bas had repercussions well beyond Britain.

Not only bas it landed UK banks (including numerous UK subsidiaries of foreign banks) with as much as £1.6bn in extra tax payments over the next few years. It has also cost the two largest British banks, Barclays and National Westminster, their prized triple A rating on the U.S. credit markets because of the aevere impact it will bave on their balance sheets and

capital ratios.
Simply put, what the Chancellor of the Exchequer did in bis March Budget was to eliminate, over two years, the set-up that had permitted banks to use capital allowances obtained from their leasing business to defer, ad infinitum, substantial tax liabilities.

It would not bave been so bad if the banks bad made a full provision for these liabili-ties—if only for the sake of prindence. But they never expected to pay it, so they

occurred in the U.S., where banks have to make full provision for deferred tax.

Sir Donald Barron, chairman of Midland Bank, complained that UK banks "bave a particular reason to feel aggrieved. They were subject to a special tax in 1981 because it was alleged—wrongly as the iode-pendent report of the Institute of Fiscal Studies made clear that they bad a beneficial tax and profit position."

The banks always claimed that they passed on to their leasing cutomers some 80 per cent of the tax benefits.

If the Chancellor's mova looked barsh, it fitted into a broader context of tax reform. For years, UK banks have been accused of paying too little tax, but the arguments in favour of keeping capital allowances were atrong: they stimulated capital investment.
The Thatcher government takes a different view. It wants

to reduce the appeal of capital over labour to raise employ-

Leasing

ment, and replace special tax breaks with a general reduction in corporation tax from 52 per

DAVID LASCELLES

cent to 35 per cent. Removing the leasing advan-tage also advances another cause: the equalisation of tax treatment between banks and building societies, which is one of the present government's

The only consolation for the banks is the reduction in corporation tax. At least tha deferred portion will be taxed at a lower rate, so the damage will be slightly less than It might be. Even so, the Big Four clearers will have to find at least £1.5bn, and possibly quite a lot more. This is equivalent to their total pre-tax earn-ings in 1983.

Banks had the choice of "taking it on the chin" by making a buge once-for-all transfer on their balance

sheets from reserves into the health of UK companies and provision for deferred taxation, the growing availability of or taking a bit out of profits other forms of finance. every year for the next 10 years or so. After some wrangiing, and prodded by the Bank of England to take a common line, they agreed on the oncefor all transfer even though this will strain capital ratios.

The stock market was terrifed that it would mean a string of rights issues, and bank stocks plummeted. But the Bank of England has promised to be understanding and that danger seems to be passing. The banks have all reassured their shareholders that their balance sheets can take the

The exact amounts the banks The exact amounts the banks will have to pay depends on bow much new leasing business they can put together between now and April 1986, when the allowances disappear. Not surprisingly, there has been a scramble for deals since the Budget, and leasing rates have been pared to the bone. After been pared to the bone. After that, the prospects are heavily shrouded in uncertainty.

But the leasing industry itself, of which the banks account for three-quarters, is putting on a brave face, claimother than tax why companies lease rather than buy equipment, and these will survive.

The Equipment Leasing
Association said: Leasing
flourishes in other countries without a generous system of accelerated depreciation."

Even so, the changes will have o major effect on the post-tax profitability of the UK banking industry at a time when deregulation of Britain's financial markets will be putting new pressures on them. Non-bank leasing companies also feel they have been hit by

also feel they have been fit by
a measure that was primarily
designed to make banks pay
more tax, so they feel bitter.
Coincidentally, the Irish
Government proposed a similar
change this year, but it has
agreed to a compromise that
will restrict the benefits of Some observers have predicted the slow death of the UK leasing industry, particularly for small ticket items, because of the improving other parts of their business.

Profitability a more critical factor

Consortium

banking

DAVID LASCELLES

formed. According to Bank of England statistics, the number in London has steadied at

But the character of the

industry has changed as well-established member banks come

to view their consortia more as an investment than a means to

enter a market or create a product they could never bandle on their own. The profitability of consortium banking has therefore become more critical,

Many have also adapted to radical changes in their

markets, usually a sign that they

The changes in consortium

bank ownership in the past few

years, argues Gerard Legrain, chief executive of Intermex

and previous chairman of the Association of Consortium Banks, reflect as much as any-

thing the evolving strategies of Scandinavian banks rather than

the demise of the concept.

These banks were active con-

have a life of their own.

around 23,

IT IS a source of endless frustration to consortium the past 12 months was the buybankers that people think they work in a declining out by Den Norske Creditbank, Norway's largest bank, of Norway's la

Every time a consortium bank disappears, usually through a buy-out by one shareholder, there are rumours of more impending demises and not without reason. Between 1979 and 1981 the number of consortium banks in London—where the bulk are based—fell by a fifth, from 29 to 23.

Some banks which fit the description of a consortium—a joint venture belonging to a group of bank shareholders orefer not to call themselves one at all to avoid the association. It is not a particularly healthy state of affairs.

But even the disparagers of consortium banking bave had to admit that the business bas not withered away as many of them predicted. In the past few years the number of demises has levelled off, and new consortium banks dd still occasionally get

banken, Kansallis Osake Pankki of Finland, and Copenhagen

Handelsbanken, have since set up on their own in London.

Mr Jaakko Lassila, chief general manager of Kansallis, which is about to open its London branch, said: "We felt the time had come to go on our own. It was an amicable part-ing." However, as he points out, the group is sticking together to tackle the U.S. market where none have enough locally-based business to go it alone.

Last week the London Inter-state Bank was bought out by its Danish sharebolder, Spare-

Scandinavian Bank, one of the largest consortium banks with assets of £2.5bn, has also lost its two Danish shareholders, Den Danske Bank and Den Danske Provinsbank. But membership seems to have stabilised there. Union Bank of Finland, an apparent candidate for departure since it is also about to open a London branch, will stay in according to Ma Be Warnled.

management rifts. The other shareholders, Svenska Handels-

cassen SDS. Scandinavian Bank, one of the

in, according to Mr Bo Herald, vice-president international. Mr Garrett Bouton, the chief

executive of Scandinavian Bank and new chairman of the association, claims that as the association, claims that as une 15th largest bank in the UK, it has by far the largest Scandi-navian presence in London, a fact which members can impress on their clients.

Making up for the reduction in numbers, though, there have been new entrants. The central savings banks of Sweden and Finland, Swedbank and Skop-bank, recently set up Fennosortia-founders a decade ago, precisely because they were too small to do much internationally by themselves. But many have now reached the size when they can go it alone.

The major development in These ventures suggest that

consortia as a way into inter-national banking still have some appeal, even at a tima when the market is not exactly free of

In fact 1983 was a tough year for consortium banking, which has always prided lixelf on being rather profitable. Scan-dinavian Bank, faced with large loan difficulties in Switzerland, had to make heavy provisions

which cut profits from £13.2m in 1982 to £10.2m last year. Libra Bank, which belongs to the breed of consortium banks owned by major international banks and has consistently been one of the most profitable, saw earnings fall from \$38.3m to £31.1m in the same period because of large Latin American loan provisions. The bank is also highly conservative.

Although profit falls were far

from universal, 1983 results reflected the fact that consor-tium banks are chiefly in the international loan business, often with heavy concentrations in regions they were specifically set up to service. Arlabank, the Arab-Latin American venture, for example, has two-thirds of its loan portfolio in Latin America and not sur-prisingly suffered because of it. Others, like the London- and Brussels-based EBC group, managed to keep profits rising but saw their balance sheets. It in a coordinated way so that shrink as they cut back their

loan commitments.

The Copenhagen Handelsbank's headquarters in London. Like many consortium banks Arlabank had to draw on a large credit line established by large credit line established by its owners because of feared funding difficulties. In fact, such lines have become almost commonplace in the past few years, partly as a result of prossure from bank supervisors keen that parental responsibility for consortium banks be clearly established.

Several London-based consortia have also been—or will be—hit by the Thatcher Govern-ment's decision to phase out ment's decision to phase out capital allowances. This will force them to pay taxes on their leasing business which they expected to defer.

Mr Adbel Latif Benanl, general manager of UBAF, tha Paris-based Arab consortium, recently summed up the dilemma facing banks like his: they operate only as wholesale banks "and therefore lack a market. Their dependence on the money markets can make them vulnerable during periods of liquidity squeeze and could also restrict their growth, especially since their ability to increase their capital in a permanent way is rather limited."

they do not duplicate each

cent of commercial bank lend-ing to developing countries while only some 12 per cent of

World Bank projects had any private sector co-mancing.

With the World Bank participating directly in the syndicated bank credit the aim

is to provide greater security to the banks on the supposition

that borrowers would be unwill-ing to default on such a loan for

fear of endangering their access to other forms of World

The World Bank also hopes that commercial banks will put

co-financed loans into a special category when setting their country lending limits, the overall aim being to ensure that

developing countries have access to capital markets for the financing of their projects.

The new scheme is also

designed to make loan repayment terms more resilistic by

extending the maturitles beyond

Banks take greater share of risks Previously the commercial and World Bank loan were undertaken in parallel. This earlier system, introduced in the mid-1970s, bad only limited

Project finance

MARGARET HUGHES

GIVEN the continuing problems associated with tha debt crisis, international banks bave beinternational banks bave become more cantious in their
lending. They are ateering clear
of sovereign risk loans and opting instead for project-related
financing. But, ironically, the
dearth of viable projects is
forcing banks to take on a
greater share of project risks.
Earlier this year National
Westminster Bank and Bankers
Trust put together a \$400m fin-

is in the process of co-ordinat-ing another £225m (\$304m) syndicated loan to finance the development of Total Oil Marine's Alwyn North field. These are just the latest examples of project financing in the form of limited recourse

financing now being undertaken in the North Sea. It is esti-mated that project financing, as opposed to corporate balance sheet fund raising, accounts for about a quarter of Britain's North Sea capital spending requirements, currently running at well over £3bn, With limited recourse financ-

ing the main security for the loan is the future each flow of the project rather than the borrower's ability to repay off his own balance sheet. With pure project financing or pure recourse financing, the lending is entirely secured against the revenue generated by the project concerned.

tae from either the project ing deals,

operator, sponsor or local government, is rare. More usual is banks are taking on in limited recourse financing with recourse financing with a fall in market prices, es limited recourse financing with the banks taking on the re-sponsibility for identifying and evaluating, as well as shouldering some of the risks.

On the whole, banks still tend to want recourse to the borrower during the early stages of the project to ensure that construction is completed, cost over-runs are met and pro-duction gets under way at least to an initial pre-set target.

Increasingly, however, banks now consider the production and marketing atages to be bankable risks. Even so, they require evidence of long-term ancial package for the development of Sun Oil's Balmoral oil field in the North Sea. NatWest is in the process of an arrival selves. sales contracts for the project

Rewards

Higher risks should mean higher potential rewards. But as more and more banks compete for the few projects around the rewards are getting smaller as margins are pared in the bld to win business. The margin on the Sun Oll Ioan was only i of a percentage point above Eurodollar rates, rising to 1.25 per cent, once the field reaches full earnings potential. Yet it is a marginal oil field.

Project financing evolved in the U.S. for the financing of energy and anergy-related projects and has tended to be domlnated by the U.S. banks, But It is now being adopted elsewhere, particularly for North Sea oil projects and mineral resource development in Australia.

Gradusly, other banks are coming into the field—in the But such financing, where there is no underlying guaran-

able. A fall in market prices, ea witnessed in the oil industry, can soon endanger a project's success with co-financing ability to generate sufficient reability to generate sufficient re-

As well as taking on more risks, banks are also having to be more innovative in tha project financing. This is largely due to the erosion of subsidised export credits, which have traditionally covered some 85 per cent of the foreign currency element of project financing.

Banks are making greater use of bilateral and multilateral eld in putting together their finan-cial packages. One development which, it is hoped, will improve the security of project finance in the developing world is the World Bank's new co-financing

Although It falls short of the cross default clause which the banks had been lobbying for, the new scheme, introduced just over a year ago, has been used for the financing of four projects to date, two of them in Hungary.

The new formula will also be used in the first-ever cofinancing operation for a country whose debt is being rescheduled. This is the \$60m equivalent loan guarantee facility which Lloyds Bank is arranging for Companhla Vala do Rio Doce, a leading Brazilian mining company, for the further develop-ment of its Carajas Iron ore

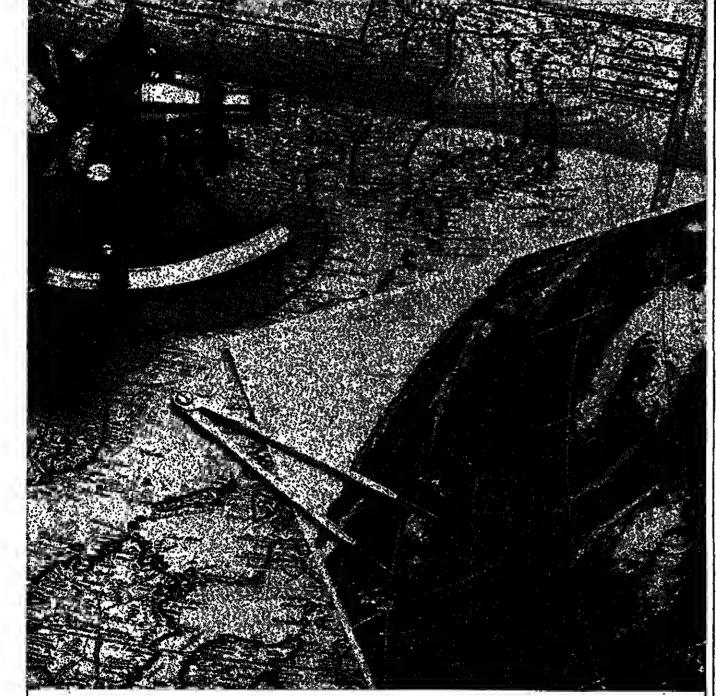
project. The World Bank participation will be \$7.7m. To encourage commercial banks to continue lend-ing to developing countries, the World Bank now participates directly in the commercial financing of a project in addition

to putting up lts own separate

those normally available in commercial bank lending. The World Bank also hopes that It will ultimately help borrowers to get finer margins, although the banks have so far not agreed.

Cumbersome

Indeed, some banks contend that, far from being cheaper, the syndicated loans involving direct World Bank participation will be more costly, both in terms of time and margins, because the loan documentation follows World Bank rather than commercial bank procedure making ir both slow and cumbersome.



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Quality and soundness are increasingly sought after in offshore centres, as FT correspondents report here

Singapore as 'Zürich of Asia'

OF ALL the Far East's putative offshore banking centres, Singapore and Hong Kong still stand head and shoulders above their neighbours in importance and are easily sition leader Benigno Aquino's maintaining their world rankings in terms of assets.

Singapore—widely dubbed the Zürich of Asia—is now reckoned to be the world's largest offshore banking centre, after the Bahamas.

The Far East

CHRIS SHERWELL

deliberataly excluda investment

in Singaporean or Malaysian stocks—a disadvantage which underlines bow the island state refuses to expose the Singapore

dollar to unnecessary pres-sures through the volatile local

With the two countries now on

convenience and personalities as much as the differing regula-

is that uncertainties in Hong Kong relating to Britain's band-

over negotiations with China

Singapore's disadvantage.
None of this means that there

national bankers in the region.

Even footing

This is a reflection of the island state's geographical location, which allows it to exploit its time zone advantages, and the stremuous efforts of the Singapore Government to pro-vide the sort of well-ordered environment which nourishes the modern "financial super-

At the end of 1983, total assets and flabilities of the Asian dollar market — the regional equivalent of the Eurodollar market which is centred on Singapore — stood at almost US\$112bn. This compares with a figure of \$137bn for the Bahamas and \$54bn for Hong Kong, which is on a par with Bahamain

Bahrain. London, not technically an "offsbore" centre, has assets of

some US\$630bn.
Expansion of the Asian dollar market in recent months has been irregular and slower than in the past because the international debt crisis has reduced lending opportunities and made bankers more cautious. But it has been faster than in Europe not least than in Europe, not least because of the better economic performance of many Asia-Pacific countries.

Thus, assets growth in 1983 of 7.7 per cent was well down on 1982's 20.4 per cent and the 57.6 per cent rise shown in

that around 65 per cent of total assets are interbank loans, two thirds of them made outside Singapore. Some 36 per cent of essets are of 30 days' maturity or less.

Singapore therefore retains its standing as a funding centre for the region, a safe bome for surplus funds and short-term

Hong Kong, for its part, remains the region's premier banking and financial centre, surpassed in importance only by Tokyo, and is the undisputed Sand Fast Asian leader in terms of loan syndication and funds manage-

Singapore has in the past year continued ats efforts to chip away at this position. Tax incentives for loan syndication and fund management have been welcomed as a step in the right direction, but the practical results have been slow in

sition leader Benigno Aquino's assassination last August, was

Citibank's decision to freeze foreign currency deposits in its Manila branch was another. The implications of both are still unfolding.

Less seriously, but impor-tantly, Indonesia, Malaysia, Thailand and South Korea have all been the object of careful attention by their own governments and by bankers to assess their respective debt positions and credit worthiness. incentive for fund management

Each country has taken action to stay on the side of caution, and all have successfully come to the markets this year as a result, thereby adding to the confidence generally felt elther Latin America or Africa.

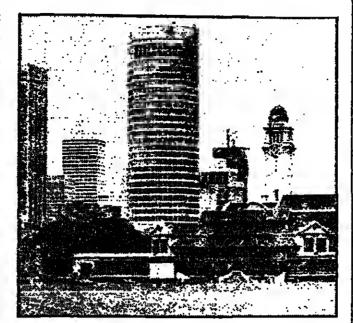
Meanwhile, Singapore and Hong Kong are close to setting up their own financial futures exchanges to add to their inter-national standing, while Malaysia is already operating a more even footing, institu-tions will probably choose where to do offshore business on the basis of factors such as its own commodities futures exchange. The Singapore Inter-national Monetary Exchange (Simex) is expected to be operatory climates. But tha truth also is that the two centres retional by July, once its unique mutual offset" link with main complementary as well as competitive—and popular belief Chicago is approved.

Hong Kong's exchange aims to embrace the contracts on its existing commodity futures will not necessarily rebound to exchange and a new stock index futures contract based on the local Hang Seng index.

Malaysia's commodities ex-

Luxembourg

PETER MONTAGNON



Financial district, Singapore

change is under a cloud because of the controversy that led to the recent temporary suspen-sion of palm oil trading, but hopes to add a tin contract to the palm oil and rubber con-tracts already in existence.

To be factored into these Asian offsbore developments is the role of Japan. Japanese banks have been slow to expand in the region compared with their U.S. or European counter-

question concerns deregulation of Japan's own financial services industry and its domestic financial markets.

Here it is clear that Japan's capital markets are becoming more accessible to outsiders. Banks are to be allowed to raise more money in Tokyo through sales of certificates of deposit, and there will be easier access to the Samurai bond market.

parts, although their participa-tion in issuing certificates of denosit or in the floating rate note market has been aggres-sive. The more important This recognition of the need for change could have signifi-cant implications for other off-shore centres in the Far East, and developments are being watched closely.

Generous policy on bad debts

LUXEMBOURG'S 114 banks continued to enjoy a quiet boom in profits last year. According to provisional estimates from the Grand Duchy's Monetary Institute, operating profits of the banking sector rose by about 15 per cent in 1983.

LUXEMBOURG'S 114 banks continued to enjoy a quiet terms the increase in banking either bave been necessary to business was very small indeed.

How have banks managed to out sour—in which case making the provision in the first place ing on large amounts of new business?

This followed a year of very sharp increase. In 1982, profits leapt from LuxFr 36bn to LuxFr 57bn as banks began to enjoy higher interest margins, as well as a rapidly increasing rate of return on fixed rate lending as interest rates generally fell.

Last year's rather slower growth reflected the absence of these basic factors but it still left profits at another record.

The susprising thing is that this has happened at a time when banking business measured in terms of total

At one and the same time, this

One answer lies in Luxembourg's exceptionally generous vision must be unwound and tax pailed and doubtful debts. Many their entire operating earnings to such provisions.

practice. Or the debt will be repaid. In that case, the provision must be unwound and tax pailed on the earnings from which it was made. That way, the tax banks find that they can apply their entire operating earnings to such provisions.

But the diversion of profits At one and the same time, this reduces their immediate tax burden and provides the banks with cost-free funds to finance with cost-free funds to finance their loan portfolio. It means a profits bonanza so long as the provisions do not have to be unwound.

Luxembourg's authorities consider that such an approach is perfectly reasonable. Officials argue that a provision will deferred taxation.

But the diversion of profits to provisions has now become such a widespread practice in Luxembourg that many banks are now clearly over-cushloned against bad and doubtful debts. In other words, some of the large profits now being made but not declared by banks in the Grand Duchy could easily be argue that a provision will deferred taxation. Partly, this is because the loan syndication business itself has been slow, but to some Singapore's tight regulations Luxer's 6,592bn last year but are also irksome. Equally, the almost all the increase reflects ing dollar. Measured in dollar argue that a provision will banks are far from inclined to banks are far from inclined to

sit on their laurels, and are still easting around carefully for ways of securing their longterm business future.

This is where the stagnation of overall business volume emerges as a rather worrying point. Figures for the first few months of this year bave not been published but unofficial estimates suggest that there bas been little further growth in total balance sheet footings.

The figures seem to confirm the widely beld view in Luxembourg that as a centre it has reached more or less its maximum capacity as a wholesale banking and money market

Premier centre

Luxembourg started out as an offsbore banking centre for German banks, which still make up the largest single national contingent of banks with about 30 institutions represented.

It is also the premier centre for Euro-Deutschmark business with over 40 per cent of lending denominated in German cur-rency. From that it has developed as an international banking centre whose main purpose has been the financing of European corporations. Luxembourg banks bave never been deeply involved in

sovereign lending to developing countries. Lending to Latin America accounted for just under 10 per cent of their total assets at the end of last year.

Now, bowever, banks in Luxembourg are coming under increasing pressure to develop retail banking services, particu larly for wealthy private clients.

The authorities bave done much to accommodate this trend. Gold trading in Luxembourg is free of value added tax; bank secrecy rules have been tightened; holding company law has been changed to allow the foramtion of investment funds; and Luxembourg has also altered its law to allow banks to carry fiduciary deposits from large customers on an off-balance-sheet basis.

Few bankers actually expect that investment banking will ever outweigh wholesale banking in terms of business volume and profits, but in a modest way Luxembourg is now firmly set on the path of becoming a mini-Switzerland with the provision of services such as portfolio management.

Every step in this direction is a positive one for Luxembourg itself. It ties the banks and their customers to the place and ther customers to the place and steel industry has grown to depend on the banks. They provide 15 per cent of its total tax revenue and employ 5 per cent of its workform of its workforce.

Jersey thrives on foreign currency

IN A turbulent business where reputations are hard-carned and easily lost, the Channel Islands' decade-old effort to establish themselves as major offshore banking centres seems to be paying off.

The deposits and profits of banks able to set up shop there

banks able to set up shop there
especially in Jersey which
keeps the tightest clamp on
immagration—are boomings and
the tiny local economies are benefiting handsomely from employment and tax revenues. Last year deposits in Jersey—where the bulk of the business hes—rose 27 per cent to £17.5bn (they were barely £11bn wto years ago). Virtually all this growth is due to foreign currency business, an indication of its mounting internatonal stature.

Guernsey, which came into the offshire finance business a little later, has deposits about a quarter of this size.

a quarter of tms size.

Jersey's 46 banks—which include most of the big names from Europe and the U.S. plus a smattering from the Far East—made profits totalling £56m, up from £48m in 1982 and £38m the year hefers that

the year before that.
Guernsey bank profits are about half as big. For both islands, finance now vies with tourism as the major economic activity. Jersey bas also made it clear that bank profits tax, which accounts for nearly a fifth of total tax revenues. be one of the major sources of revenue growth in the next few years, underlining its dependence on offshore banking.

None of these figures, inci-dentally, include the local branch operations of the big UK clearing banks, which are substantial in themselves.

Channel Islands

DAVID LASCELLES

In one sense, the Channel Islands have benefitted from the misfortunes of others: political uncertainty in Hong Kong scandals in the Isle of Man, the flaky reputations of some of the more exotic offshore banking centres—all have driven money nto safer havens. Their proximity to Europe's financial capitals bas also helped even though the real decision-makers in offshore banking centres sel-

Only banks of international standing are considered; those offering new types of services or broadening the geographical representation are specially avoured. Jersey would like, for instance, to have more appli-cants from the Pacific Rim and

the Middle East.
The islands bave also made big effort to clarify and update commercial law covering matters like securities, invest-

matters like securities, investment and trust business, much
of which was blurred together
with UK law.

Though the islands regulate
their own banking industry,
they draw beavily on the Bank
of England, and belong to the
grouping of offshore bank
supervisors created by the Basle
Committee which is trying to
olug gaps in international hank olug gaps in international bank

Apart from taking in deco-tits the islands major banking business consists of booking international loans and invest-ment management. Most of the "ity of Jondon's merchant and clearing banks bave finance and trust offices in either St. Helier in Jersey or St. Peter Port in

The offshore fund management business has grown particularly fast, thanks in part to the boom in world stock markets in the past couple of years. One flourishing sector was the popular UK currency roll-up funds which accumulated some £2bn

in Jersey.

The Thatcher Government's decision to close the tax loop-bole that made them possible was a blow. Rothschild's Old Court International Reserves, the biggest fund characteristics. the biggest fund, sbrank from ove \$1bn to about \$300m, though It has come back a bit since. But if the islands suffer from changes in UK tax law, they can also benefit. The Chan-cellor's decision to make UK banks pay interest to depositors net of tax does not apply to the Channel Islands, so banks there should bave a greater appeal.

Ironically, the islands' banking growth is more likely to be constrained by local bottle-necks than a lack of business, specially in Jersey with its tough housing and immigration rules and shortage of qualified workers.

workers.
The Jersey States (government) hopes that computerisation will aid efficiency and enable banks to pass more business through their operations there (a lot of it is, after all, very routine).

Even so, the island is going through a period of budgetary stringency, and the temptation

taxes has been growing.

Business picks up after IBF blow

main Caribbean offshore centres these merely the stalking horses slowed down dramatically in for bigger game, namely tar-1982. In the case of the largest, the Bahamas, business volume

Bankers in both the Bahamas

growth while Panama, which disputes second place with the Caymans, fell back somewhat. Figures are not yet available for the 1983 performance of another main centre, the Netherlands Antilles.

1982 was of course, the year

of the Mexican liquidity emer-gency, marking the beginning of the Latin American debt of the Latin American debt crisis. It was also the first year of operation for the interna-tional banking facilities (IRFs), whereby "offshore" books can be run from New York and other U.S. centres. At their incention in Decem-ber 1981 the IBFs were seen

by some as sounding the Carib-bean centres' death-knell. This prophecy, based on poor under-standing of both the IBFs and

standing of both the IBFs and the offshore centres, has turned out to have been false, as Caribbean-based bankers are quick to noint out.

The IBF's certainly took away some business, and prevented other new business coming. But it is impossible to calculate exactly how much. "Because it was a ILS, initiative some U.S. banks here did their bit to sunnort it," says a European sunfort it." says a European hanker based in the Bahamas. "But last year a lot of that business came back again." Offshore bankers highlight the disadvantages of IBFs. Not

only are they restricted to busionly are they restricted to observe the control of From the point of view of non-U.S. bonks there are other drawbacks too. Although exempt from federal and New York City taxes, IBFs based there are not free of New York state tax, for example.

tax, for example.

Most important of all, they are still subject to U.S. Isws, which make it impossible to offer the same degree of confidentiality as can be obtained in a jurisdiction where the law actually forbids disclosure to entirely authorities of the deally ontside authorities of the details

of an account. Apart from experiencing new competition from the IBFs, the offshore centres have also seen a different challenge emerging in the form of subpoenas from Florida counts seeking confi-dential information on offshore accounts with alleged brganised crime connections.

in offshore banking centres seliom actually work there.

But the islands have added an appeal of their own: political stability, low taxation, being choosy about who they allow in.

Crime connections.

This raises the question whether the U.S. authorities baving attempted to match the centres' tax-exempt status for non-U.S. residents with the IBFs (and for U.S. residents with measures like the planned they say, can only be of benefit they say, can only be of benefit to the international financial attempting to make the control of the international financial attempting to make the control of the international financial system as a whole. attempting to put pressure on P. M. Elstob is editor, FT Inthe second element of offshore ternational Banking Report.

AFTER high growth in the late banking, confidentiality. Al-late 1970s, culminating in re- though narcotics investigations cord leaps during 1981, the four are involved at this slage, are

went into sharp reverse.

For 1983 the Bahamas and the which most of the subpocuss bave been directed, are unantmous in denying that they subscribe to so paranoid a per-spective. They regard the U.S. authorities' born-again interest ln offsbore accounts as no more

than straightforward criminal investigation, and not as the thin end of any IRS wedge.

They do not want the business of drugs dealers, they say, and not want the business of drugs dealers, they say, and neighbors. and point out that illegally generated money is just as likely to be laundered in Miami.

The Caribbean

MATO ELSTOB

We have been turning down cash deposits from U.S. residents for some time," says a dents for some time, says a Panamanian banker. A banker in the Caymans says his bank no longer tokes trust business from U.S. residents. "After the 1976 U.S. Tax Reform Act, it is just not an advantageous thing for a U.S. resident to do." The implication is clear. Only some-one who had obtained the funds by breaking U.S. law would now be knocking on an offshore bank's door.

As for confidentiality, the laws of the centres themselves are a brake on the amount of disclosure that can be made, even in a criminal case. If the accused were found innocent, a
Babamas banker explained, be
could sue the bank for breach
of confidentiality.
All three major centres are

in the process of drawing up voluntary codes of conduct, while the Netherlands Antilles is negotiating a new tax treaty with the U.S. The Bahamas code draws on Swiss law, which balances legal enforcement of confidentiality with a willing-ness to belp outside authorities where criminal activity can be proved

But banks in the centres are not merely reacting to events. They are confident that they bave more to offer both U.S. residents and non-residents than would be suggested by the questions raised by either the dBFs (that they are merely tax havens) or the orugs cases (that they are places with top secrecy and no questions asked). Instead they point to the highly geared operations— in terms both of buman and financial resources—which are possible from offshore; and that,

FOREIGN ASSETS OF DEPOSIT BANKS IN THE MAJOR CARIBBEAN OFFSHORE CENTRES

		(abu)		
	1980	1781	1982	1783
lahamas	125.47	150.29	132.33	134.39
Caymans*	33.01	42.08	46.65	49.03
anama	34.20	41_10	43.48	37.50
Veth. Antiles	7.39	10.72	17.68	D-34
* U.S. banks*	branches only.			
		Sources: IMF.	Panama Bankara	Association

Trend from lending to financial services

Bahrain

PETER MONTAGNON

GROWTH IS no longer a fore-gone conclusion for Bahrain's 75 offshore banking units as the regional economic downturn, and the more cantious climate in international banking, takes its tell on this cores thereing as

in international banking, takes its toll on this once thriving offshore financial centre.

At the end of last year total assets of the offshore banks stood at \$62.7bm, a recond level which marked a good recovery from tha low point of \$55.6bm in April 1983.

But in January they fell back again to only \$59bm as end-year window dressing was unwound. That figure was only \$1.4bm

That figure was only \$1.4hn nigner than that of January, 1983, a far cry from the exponential growth rates of the past. While few bankers in Bahmin expect their offshore centre

to wither away, most agree that it faces a new challenge of adapting to an era in which profits depend not so much on the exploitation of wholesale lendexploitation of wholesale lending opportunities, but rather on providing financial services.

That means an end to the days in which a bank could expect to prosper with just a limited amount of paid in capital, a few staff, and a telex on which to receive offers of loan business, to fill out its balance sheet.

Several factors bave combined

in Saudi Arabia, on which many offshore units depended, have contracted with the economic downturn and more restrictive approach of the Saudi budget.

The Saudi authorities themselves also seem determined to force the pace of development of their own domestic banks and to limit the internationalisation of their currency. Withholding tax on interest

paid by Saudi borrowers to foreign lenders has begun to be levied, affect patchily. Banks leading syndicated loans in Sandi currency now also have to obtain permission from the Saudi Arabian Monetary Authority before inviting foreign lenders in. And, earlier this year. SAMA began to mop up excessive liquidity in the Kingdom by calling for special deposits from local banks.

The amounts involved are not large — about SR 400m a week is now being absorbed — but bankers in Bahrain fear that these steps will eventually lead to a drop in the availability of Sandi currency in the Bahrain market. In turn, that would tend to curb their business opportunities in Saudi Arabia.

At the same time Bahrain has been caught up in the world-wide slowdown of international interbank business. Following the outbreak of the developing country debt crisis in 1983, banks have become much more careful about lending to offer banks, particularly in central where there is no established lender of last reason. lender of last resort.

Bahrain has suffered in this Even so, the island is going through a period of budgetary to produce this new situation. From ontside the region feel to ease admission rules or raise taxes has been growing. CONTINUED ON NEXT PAGE

The Netherlands is the world's second largest exporter of agricultural products. And Rabobank is Dutch agriculture's foremost bank.

account for some 25 per cent (approx. 42 billion Dutch guilders) of Dutch exports. In dairy exports the country is number one in the world. With the importance exceeding 115 billion Dutch of agribusiness for Dutch foreign trade, it is inevitable billion), Rabobank is not that Rabobank is highly knowledgeable on all aspects relating to inter-national trade finance.

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No bank can afford to lag behind

corporate cash management (taken these days to mean a link from the banks' computers

information on e company's position and exposure world-

For example, if the customer's

terminal is an IBM PC—easily

product spreadsheet, file management and graphics capability. It is said that over 70 per cent of IBM PCs in the U.S. have been acquired simply

run this program. However, these systems are

still in the future. Almost all

the treasury management sys-tems on offer at present bave only software written by their

example-monitors a company's

positions and in borrowing and

exchange and interest gains

and losses.

BANKERS TODAY must feel like survivors of an earth-quake faced suddenly by a tidal wave, the "tsunami" with the belp of software bouses which follows a seismic disturbance.

They have only just come to terms with the fact that banking as they know it is changing irrevocably and that much of that change is being driven by advanced technology.

Now they have to face the fact that the technology itself is changing at remarkable speed, offering new business opportunities to those banks able to keep pace but threatening to relegate those that lag behind to the finance industry's second division.

Their response, to be frank, has been ragged. Some banks—Citibank is the prime example, boasting aggressively of the \$500m it has invested in advanced electronic technology over the past three years—positively glory in the new

ossibilitie Others are more cautious and less assertive, but all are mulling over their strategies, driven by the fear that if they are not to the fore with a novel electronic service others will steal the advantage.

A good example of the speed at which technology is driving banking practice is afforded by electronic corporate cash

Two years ago this was the hottest topic in electronic banking, offered by a handful of the bigger U.S. banks—Chemlink from Chemical Bank, Infocash from Chase Manhattan, Citi-banking from Citibank, Mars from Morgan Guaranty. None of the British clearers

using a proprietary product

Barclays Bank, for example, offers its own version of Chemical Bank's Banklink system which is run over the larges which is run over the largest commercial timesharing net-work in the world, Geisco's Mark III. Now it has over 100 customers in 11 countries, Electronic corporate cash management is just one varia-tion on the common theme for

Changes in

technology

ALAN CANE

banks and other financial vices organisations. It entails exploitation of the "electronic umbilical cord" between the bank and the customer, a development made possible only by the evolution of a new generation of computing hardware and

The banks were among the first commercial organisations to make use of compoters, and their earliest systems were heavily oriented towards batch alternative, for the computers of the day were simply not up to holding a dialogue with their users—what data-processing ex-

frame computers. It was at this stage that IBM planted its flag so firmly on banking territory.

With the emergence of mini-computers, smaller, cheaper but with great processing power, it became possible for indi-vidual bank branches to have tidual bank branches to have their own computers for accounting, foreign exchange dealing and the like. Software houses, especially in London, made their reputations by providing the software for these computers. BIS's Midas, Hoskyns' Kapiti and Arbats ABS were the leaders in what was still basically a herrhannessing

still basically a batch-processing oriented market. The emergence of the microcomputer, or, more precisely, the professional personal computer, and the development of sophisticated transaction - processing hardware and software changed all that.

Personal computers Now, as one banker said re-cently: "Our major problem in technology is to understand how to deal with the personal com-

The pattern that is emerging is this: customers, whether cor-porate or private, can have access to their files, beld on the banks' computers, through a video terminal.

If the video terminal is also

a personal computer—that is, if it has "intelligence" or dataprocessing power—it can be used to handle the information on the customer's files in a variety of ways, enabling each had an electronic product on offer at the time, yet within 12 ing."

months each was firmly in the market. Admittedly, each was

Citibank offers on its PC a service called "Antoreport" which uses the intelligence built into the personal compu-ter. When e key is pressed it will ring automatically, each of the branches in which a corporate treasurer may have an account, collect the details, col-

The theory is that most cor-porate treasurers look at the same reports daily and that in practice this can be carried out automatically. It is all a far cry from the balance reporting service printing out on a tele-type terminal, but it should not be thought that treasure man e thought that treasury management is as hot a tonic with customers as with the banks.

Most of the enthusiatic users

national foreign exchange dealing. In the UK, BP and Esso widely regarded as among the best users of electronic treasury management.
For the smaller companies

to a simple terminal in a tressurer's office giving daily the edvantages are less obvious. wide) to treasury management, using e personal computer as the terminal and—potentially—a whole range of advanced software tools. Earlier this year Mr Alan Vosper, assistant treasurer of Chloride Group (turnover £379m in 1983) complained that the banks paid little heed to the needs of the smaller com-pany and his views found a sympathetic echo in other organisations.

terminal is an IBM PC—easily the personal computer of choice for all U.S. Treasury management systems—it is possible to offer the Lotus I-2-3 package as part of the Treasury system.

Lotus I-2-3 is oow one of the most successful U.S. software packages, combining in a single product spreadpact. 'Electronic umbilicus' For the banks themselves and for their customers, tha advent of the "electronic umbilicus" requires a new level of resilience in both hardware and software.

A certain amount of downtime could be tolerated when time could be tolerated when the banks' computing activities were limited to batch process-ing. When high-capacity trans-action processing is the order of the day, downtime cannot be tolerated at all. This explains the remarkable success of one computer company, Tandem, in

supoliers. One of the most ad-vanced treasury management systems — Bank of America's International Treasurer, for banking markets.

Tandem markets a range computers originally labelled "non-stop" and now more realistically as "fault-tolerant."

example—monitors a company's international treasury position in terms of foreign exchange exposure, interest exposure and liquidity positions. Tandem's idea was to create a computer which never stopped a computer which never stopped running. It did this partly by brute force—doubling up on processors and data paths, "mirroring" the essential memory discs—and partly by extremely clever software techniques which meant that if a Tandem machine was halted by, and most of the developed and most of the developed with th It allows the treasurer to evaluate his own performance in covering his foreign exchange depositing funds in the market. It periodically revalues con-tracts and displays foreign say, a total power failure, it "degraded gracefully."

In other words, all the data being processed was stored so that when the current was switched on again the system took up from the point of failure without a hitch.

For the banks, used to keep ing a second mainframe com-puter on "warm standby" in case of emergency, it was powerful solution to the problem of staying on the air at all times, and they bought the Tandem "NonStop 16" in hundreds. It became the first choice for

systems integrators developing banking software. An example is Applied Communications (ACI), developers of a package called Base 24 which is the software needed to run a network of on-line automated teller

the London Clearing Houses payments system CHAPS. But so fast is technology advancing that Tandem is already having to look to its laurels. Fault-tolerant hardware and software is now being offered Stratus, which began several years later than Tandem, which have been able to take advantage of the most recent educations of the most recent educations are represented in miscroplestics. vances in microelectronics.

Now ACI offers a version of its ATM-linking software on Stratus computers. It cannot match the sheer capacity of the Tandem equivalent, but it does

for organisations such as building societies. All the new transaction-based services the banks and others are offering or planning will require a bigh level of fault-tolerance in the computing hard-

represent a reasonably low-priced entry into ATM networks

ware and software.
Electronic funds transfer at this point of sale (EFT/POS) or cashless sbopping would be impossible without reliable proand telecomm



Advanced communications technology speeds up today's foreign exchange operations: above, a section of the dealing room of Merrill-Lynch

New generation of computer hardware and software

puter hardware and software promises sufficient reliability, and most of the developed world is going ahead with plans to make shopping by plastic credit card a reality by the year 2000. the year 2000.

The UK banks are committed to a pilot scheme dne to go live in 1986. In the U.S. a myriad of experiments has been run over the past decade or so and some are showing signs of suc-cess. They include the Publix supermarket chain in Florida and the Matrix Financial Net-work in New York, a venture between Manufacturers Han-over Trust and NCR, a com-puter company with major interests in EFT/POS.

In France experiments are being made with conventional EFT/POS, where a plastic card bearing a magnetic stripe is restrict used in conjunction with a areas. point-of-sale terminal connected through a switched network to

This consists of a complete computer sealed into a plastic card no bigger than a conven-tional credit card. It can be used as ao electronic cheque-book; credits can be stored electronically in the card's memory and information read from the card can be used to make a wide range of payments.

Applications

It was originally seen as a way of overcoming poor tele-communications, which would have rendered useless the conventional EFT/POS on-line techniques. Now that its broader applications as a personal iden-tification device have become clear, the U.S. armed forces, among others, are showing interest in using it as a way of restricting access to secure

Just as electronics has opened up the banking business to nonbanks, so it has opened up the electronic banking business to companies not traditionally associated with banking.

ing their next generation of banking systems; besides their traditional suppliers of hard-ware and software there are new names like Hogan Systems. Anacomp and now Wang.

Wang is best known as an office automation company. Its banking product Priority was written by an Australian com-pany of the same name and its the reputation of its computing

Wang's move into a market where nobody would bave given in the banking world, where nothing can be taken for granted except that banks in 1994 will be nothing like banks in 1984.

David Rance, financial bankpavid kance, mancial bank-ing industry manager for Wang, has put it simply: "All banking systems written so far have been written for the banks of today. What we are aiming at are systems written for the banks of tomorrow."

Bahrain offshore units continued from previous page

deposits there has been This is in marked contrast to enhanced by the Iran-Iraq war, 1982 during which growth had and the collapse of Kuwait's been equally shared between

A telling way in which this has affected the ability of offshore hanks in Bahrain to attract deposits lies in the maturity structure of their liabilities. Almost all the growth in tra-bilities last year was concen-trated at the very short end of lmost all the growth in liatrated at the very short end of banks also increasingly passed the maturity spectrum. Last some of their money market year, liabilities maturing in operations through Bahrain, but periods up to and including one there is no disguising the meamonth rose by \$5bn to \$33.9bn; longer term liabilities actually fell by \$1.3bn to \$28.8bn.

ne very short term liabilities nd longer term liabilities, each of which had recorded increases of some \$4.1bn.

Part of the increase in short term liabilities last year reflected end-year window dressing rose by \$5bn to \$33.9bn; sage in these figures that ment Banking Corporation aims term liabilities actually smaller banks found it harder to seek out investment opporto attract longer term deposits, runities for wealthy Arabs.

a situation which is improving slowly in 1984, according to late the reports and print them officials at the Bahrain Monetary out. Institution.
Faced with the stagnation of

traditional banking business, off-shore units in Bahrain are, however, increasingly turning the ever, increasingly thrining inca-attention towards investmen, banking, United Gulf Bank, for example, is developing portfolio management business. Arab Banking Corporation is becom-ing increasingly involved in mergers and acquisition busiworldwide, Arabian Invest-

of treasury management services are the largest corpora-tions and the banks themselves, all beavily involved in inter-

and a hole in one?

CORGIVE us for stating the obvious. But **I** a bank is really only as good as the services it offers its clients.

Does your bank, for example, present a full range of facilities especially designed for your particular industry?

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the world's top ten users).

Similarly, we were the first to introduce an automated system which turns round letters of credit in 24 hours. First to link all our branches by computer. First to establish a foreign exchange dealing room.

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and Far East - have taken advantage of our quite exceptional range of banking services.

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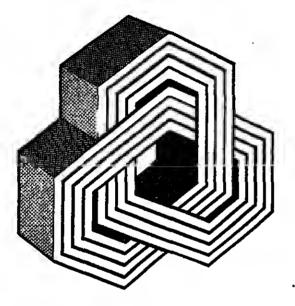
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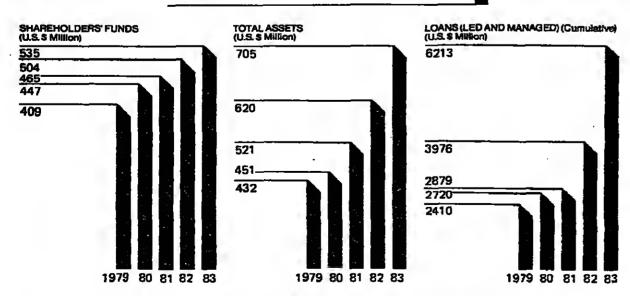
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BCC Countries



APICORP 1983 RESULTS

HIGHLIGHTS						
Authorised Capital	US \$ 1,200.0 milk					
Shareholders' Funds	\$ 535.3 m					
Total assets	\$ 705.3 m					
Loans	\$ 326.2 m					
Equity Participations	\$ 46.1 m					
Treasury Investments	\$ 279.9 m					
Deposits from Banks	\$ 144.3 m					
Net Profit	\$ 51.6 m					



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Last year brought record profits for some sections of the Nordic banking world. FT correspondents analyse the factors behind these results on this and the following page

Sector more cautious now

THE FURTHER fall in Swedish Central Bank interest rates expected at the beginning of the year has not materialised and the banks are becoming more wary

about their prospects for 1984.

Last year the profits came rolling in unprecedented fashion after several lean years, thanks chiefly to the more benign interest rate policy pursued by the Riksbank, the Swedish Central Bank.

The winds of deregulation have been blowing through Swodish financial markots—tho Swodish financial markots—tho banks now enjoy greater freedom in fixing lending interest rates, and the Riksbank has abandoned its long-lived liquidity requirements for tho banks—but Swedish bankors still often claim that they are more strictly controlled than any other sector of the Swedish economy.

economy.

Interest margins are by far
the most decisive factor behind
movements in the banks' profit-

movements in the banks' profitability but the steady fall in interest rates enjoyed by the banks last year has come to a halt during 1984.

Market interest rates did continue to fall during the first part of 1984, but the influence of evonts in the U.S. has been felt clearly in Swedish financial markets too with the effect that rates have been rising in recent rates have been rising in recent weeks in Sweden.

Leading Swedish banks are no longor so optimistic that the Riksbank will find room to lower its official rates—on the contrary some are forecasting an increase towards the end of the your—and correspondingly hopes for building further on last year's profits bonanza have been dampened.

Last yoar was a record for the Swedish banks. The com-mercial banks achieved a 55 per cent rise in aberrating profits compared with a moagre increase of 8 per cent in 1982. Interest earnings, which accounted for 69 per cent of total operating revenues in 1983 compared with 65 per cent in 1982, rose by 37 per cent according to a study made by the Swedish Banking Federation.

For the first time in severel years the banks managed to halt the negative trend in their equity assets ratios and capital ratios. The profitability of the Skandinaviska Enskilda Banken group (S-E Banken), the largest banking group in Scandinavia, panies listed on the Stockholm group (S-E Banken), the largest Stock Exchango increased from banking group in Scandinavia, 103 to 150, while from 1880 to jumped for example by 6.1 per centage points to 23 per cent (the return on equity and teserves), its highest ever. Skr 75.8bn. The interest from foreign Similar developments were investors in the Swedish stock

Sweden

KEYIN DONE

in Stockholm

reported by S-E Banken's main rivals. Svenska Handolsbanken, the second largest Swedish banking group, emerged as the country's most profitable bank with the best return on group equity at 23.3 per cent compared with 18.5 per cent in 1982, but S-E Banken did manage to close

the gap.
S-E Banken boosted its group operating profit by 62 per cent to SKr 2.3bn, while the operating profit of the parent bank jumped by fully 73 per cent to CF- 1 chn

Among other moves towards deregulation the Riksbank last year decided that it would no longer formally regulate interest rates on lending. In practice, this does not mean too much, however, as the Contral Bank still only allows insignificant and temporary deviations from the previous average interest rates.

SKr 1.9hn.

Tho Central Bank still regu-lates, too, the volume of the banks' Swedish krona lending and bore the guidelines mean and bore the guidelines mean that the banking sector is again operating this year under strict controls. The squeeze has been tightened as part of the authorities' fight against inflation and the volume of Swedish krona londing will only be allowed to rise by 4 per cent this year above the 1983 level.

Fee income, too, showed a healthy rise in 1983 reflecting in part the surge in the Swedish stock market. During the period 1981-83 the number of com-panies listed on the Stockholm

TOP THREE SWEDISH BANKS (SKr bn)

	Assets		rating calt	Profitability+	
	1983	1983	1982	1983	1982
S-E Banken	162.8	2.3	1.4	23	16.9
Handelsbanken	141.4	1.9	1.4	23.3	18.5
PKBanken	141.4	1.9	1.4	19.5	18.5

Return on equity and reserves after taxes.

shares back into the domestic market, turnover is down with foreign investors exhibiting less interest in the Swedish market, and by the middle of May the Stockholm share indox was showing a rise of only 3 per cent from the beginning of the year compared with rises of 65 per cent in 1982 and 58 per cent in 1981.

The move towards greater freedom in Swedish financial markets is also being reflected through the Government's willingness to allow PKBanken,

market made it possible to sell SKr 3.7bn worth of Swedish share issues in international markets last year.

Overall, there was a record level of new share issues in the Swedish market with SKr 6.1bn of risk capital entering the market through rights issues and other issues in tho market.

During the year, 28 companies entered the new OTC market (over the counter) which aims at providing small and medium-sized companies with risk capital.

All this activity showed through clearly in the banks' commission earnings, but here too 1984 is proving a more sober experience. There has been a net inflow of Swedish shares back into the domestic market, turnover is down with foreign investors exhibiting

change appears irresistible.

A Government committee is studying the question as part of overall investigation of the of overall investigation of the structure of the credit markot and a preliminary report is expected as early as this autumn.

Mr Kjell-Olof Feldt, tho Swedish Finance Minister, sald recently in Parliament that the establishment of foreign banks would be a "valuable addition" to the Swedish credit markot. The earliest that legislation could be presented to parliament would be spring, 1985.



Commercial offices in the heart of Stockholm: winds of deregulation have been blowing through the Swedish financial markets

Competition intensifies

THE DANISH banks made huge profits last year. The net profits of the big three commercial banks, Danske Bank, Copenhagen Bank and Privatbanken were in each case over 2 per cent of the balance sheet total and these results were not exceptional.

The banks' earnings were derived primarily from gains on share and bond portfolio values, of which about 80 per cent are in the form of unrealised gains.

Under Danish accounting practice, bowever, both the unrealised and the realised gains are entered into the profit and less account in the profit. and loss account as the whole of the difference between the market value of the portfolios on the final days of the account-

ing years.
The total profits of the com-The total profits of the commercial banks were about DKr 148bn, made up of a profit of DKr 15bn on bond portfolios and a loss of DKr 18bn on operating account. The enermous earnings on bonds gave many of the banks a formidable return on equity capital, with Jydske Bank, the fast-growing Jntiand-based concern which now ranks as the country's sixth largest commorcial bank, reporting a return of 1962 to just under 3 per cent at the end of 1962 to just under 3 per cent at the end of 1962 to just under 3 per cent at the end of

go per cent.

Last year's results have created an intriguing situation in Danish banking. For one thing, last year's profits were to a large extent profits foregone prices had not soared last year but remained stable tho oarnings on the bond portfolios would have come in gradually as the bonds approached maturity.

Last year's results have cent at the end of 1983, Share prices doubled as well.

If the banks are unincly and bond prices at the end of this year are known than at the end of 1983, which few observers expect, some banks would have to report a bottom line figure in red.

This emphasises the need for the banks to begin to earn money on

Major factor

Another important factor is that banks have to pay tax on their earnings at the rate of 40 per cent which is, tho standard corporate income tax

This is no problem for the this is no problem for the banks with short maturity portions, and the biggest banks expected that within the next say they will be able to pay year or so there will be some this year's neavy taxes out of major mergers, both among the current income, but not all the commercial banks and the banks will be able to meet all savings banks. Moreover, the the tax demand from current

Banks having portfolios with long maturities, one of which is Jydske Bank, may have to sell bonds to raise cash for taxes. In early May, soon after an economic policy compromise in the Foliation (Parisonne) in the Folketing (Parliament) that any merger negotiations had pushed bond prices up, are actually under way.

Denmark HELARY BARNES in Copenhagen

the banks to begin to earn money on operating account. They will gain some relief this year from a decline in the very large loss provisions they have had to make over the past three or four years. With the economy picking up, especially in the corporate sector, provisions should be significantly lower.

But the competition for earnmergers may well involve some of the larger banks in both sectors,

These changes could cause an interesting reshuffle in the banking order at the top of tho Danish banking world, but so far there have been no signs

FINANCIAL TIMES

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Moves to ease further interest levels

Norway PAY GJESTER

in Oslo

AFTER several poor years the Norwegian banks improved their profitability in 1983. Commercial bank operat-

The improved results reflected several factors. Most important was the fall in money market rates, which cut the cost of the banks' own borrowing. Their borrowing needs were down on a year earlier, in any event, because primary reserve requirements were lower than in 1982. These developments led to a marked rise in net panies is to end and with it interest earnings the banks the curbs on bank guarantees important source of

encourage a further easing of Mar 2011 to NRT 17011. Lending frequent capital increase interest levels, thus continuing quotas for some of the atate been necessary—in the the trend that began early last banks have also been increased. of adequate profits—to; year. A new long-term Treasury

These changes were announced the required ratio on May 11, when the Governequity and total assets.

interest—one-quarter of a per-centage point down on the rate offered for the last such loan.

There was, however, no reduc-

Moreover, the interest payable on Treasury Bills is being cut by one half of a percentage point. The aim is to hotd money market rates within the 12.5 per cent to 13 per cent range, compared with 13-13.5 per cent previously. per cent previously.

The Ministry expects the banks to pass the resulting savings in interest costs on to ing profits, as a proportion of their corporate customers in the total assets, averaged 1.7 per cent, compared with 1.21 per cent in 1981 and 1982, and solver interest rates on only 1.15 per cent in 1980 (see graph).

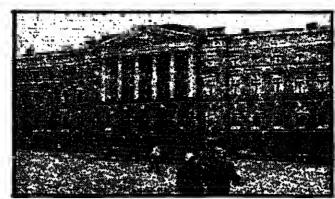
The improved results reflected several factors. Most important was the fall in money the cent.

This month also brought a further liberalisation of credit policy along lines recommended by the bank of Norway. Regulation of lending by finance comof market loans. The 1984 This month the Finance Ministry announced moves to encourage a further easing of NKr 2bn to NKr 17bn. Lending

There was, bowever, no reduction in the primary reserve requirement imposed on savinga and commercial banks. This remains at 7 per cent, compared with only 4 per cent through much of last year. It has been twice increased this year, from 4 per cent to 5 per cent on January 1, and by a further two percentage points, to 7 per cent, from March 1.

The second increase was a reaction to the NKr 9.4bn expansion in bank lending which took place during the first quarter, though much of this was simply a reaction to the lifting on January 1 of direct lifting, on January 1, of direct controls on bank lending. Borrowers who would pre-viously have sought finance on the unregulated market were again able to borrow from the banks. As the Bank of Norway has pointed out, there is no evidence that the first-quarter bank lending surge bas created inflationary pressure in the inflationary pressures in the

If last year's better profit trend can be sustained, the banks will not be forced to float new share issues so often as during the past few years. These frequent capital increases bave been necessary—in the absence of adequate profits—to maintain the required ratio between



The Finnish Government offices in Helsinki: the economy is well into an upswing

Last year Norway'a "Big also begot a newcomer. In Three" (Den Norske Credit-March the Government formally bank, Christiania Bank and granted permission for the Bergen Bank) floated issues establishment of a new domestic with a total par value of over NKr 800m.

Competition among the banks has sharpened of late, stimu-lated by the loosening of con-trols in the banking sector. Regulations restricting the establishment of new branches have been liberalised. For instance, the banks are to be given greater freedom to fill gaps in their branch networks.
This is particularly important
to the "Big Three," which—
unlike the smaller regional
banks—compete with one another nationally.

The acquisition of new, strategically placed branches has been an important incentive in mergers and acquisitions involving the trio. One example

commercial bank-Oslobanken. The first new Norwegian bank in 37 years, Oslobanken inlends to specialise in wholesale banking, making higher charges than usual for retail services such as cheque-cashing. Its first share issue last month (for NKr 60m) was almost seven times oversubscribed.

On the horizon is the prospect of foreign competition. A Bill that will permit foreign banks to set up subsidiaries in Norway is expected to receive Slorting (Parliamentary) ap-proval before the summer recess, and the first of them could open for business early next year.

Initially, only a limited number are likely to be allowed. is Christiania Bank's recent number are likely to be anowed take-over of the northern-based Some will possibly be joint venures between foreigners The more liberal climate has and Norwegian hanks

Signs of new vigour

space on the city trams and huses, are advertising, of all things, the new share issues of the big two commercial hanks.

Kansallis-Osake-Pankki (KOP) and Union Bank of Finland in net earnings to FM 302m

It is a sign of the times: Fin-nish banking is no longer the staid business it used to be. As if to emphasise this, the past year has also seen a number of

changes in the Bank of Fin-land's regulations.

The Helsinki Stock Exchange.
too, is experiencing a burst of too, is experienting a burst of vigorous activity, partly because of several new flotations, and partly because of an upsurge of foreign interest in acquiring stock in Finnish companies. Changes in the financial market have been in the offine for some have been in the offing for some time. Now they are coming thick and fast, and there will certainly be more as the year advances.

At the same time, the Finnish economy is well into an upswing after two years of recession, and this is likely to continue for a couple of years. In accordance with its usual and interest and interest and interest and interest. anti-inflationary policy during the rising phase of the cycle, the Bank of Finland bas turned the money market screws and will tighten them further.

The process started in the latter half of 1983 and the banks complain that it affected their professions in the past their profit margins in the past fiscal year. Their annual

Finland

LANCE KEYWORTH in Helsinki

(about £37m). But interest earnings were down one per cent to FM 1.75bn and operating margins narrowed by 6.6 per cent to FM 971.7m. The base (discount) interest rate has been maintained unchanged at 9.5 per cent since July 1983. Now that most of the new wage contracts

have been signed and are not as inflationary as was ooce feared, no increase is likely.

Indeed, the lalest estimates are that the government's target of 6 per cent inflation this year (against 8.6 per cent in 1983) might be met, and industry is calling for a reduction in the base rate to help the heavily debt-ridden corporate sector. But, while demand is strong and growing stronger, this looks unlikely.

VIRTUALLY EVERY billboard reports record "a satisfactory tem (which may well be dis-along the main streets of Hel-sinki, and most of the available stances." By contrast, the two all bank deposit rates have been pegged to the base interest rate and lending rates have been strictly controlled by the central hank on the same hasis. But an uncontrolled short-term money market bas developed along-side the controlled market.

Another cartel was established which limited the rales on these funds to 15 per cent, but it collapsed in April when the central bank allowed the three foreign banks established in Finland unlimited access to the collaboration with the collaboration of the collaboration was all money market when its call money market where the rate was 17 per cent.

Now the call money rate has been reduced to 16.5 per cent and the "free" money market rate has risen 10 about the same level. This perhaps en-ables the central bank to keep

a closer eye on the free market. After the abolition in January of the old quota system of cen-tral bank financing and various other changes, the two sharp instruments of control retained by the Bank of Finland are the call money market, the sole source of central bank financing available to the banks, and the cash reserve deposit scheme.

The latter has been used increasingly of late. In April the cash reserve deposit requirecash reserve deposit require-ment was raised to 5.6 per cent. Under the agreement hetween the Bank of Finland and the commercial banks, the maxi-Under a voluntary cartel sys- mum obligation is 8 per cent.

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When it comes to computer power which is it to be?

FOR SWISS bankers a period of uncertainty has just ended. Last weekend the electorate voted to reject the so-called Banking Motion of the Social Democrats and the frade union movement. Conceived in the general outrage at the Chiasso scandal of 1977, when a good SwFr 2hn of clients' money.

Conceived in the general outrage at the Chiasso scandal of 1977, when a good SwFr 2bn of clients' money was misappropriated by local branch managers, the referendum proposal aimed at countering what its backers saw as "systematic abuses" by or involving Swiss

Switzerland

JOHN WICKS

with negative results for the domestic Swiss economy."

brought out a number of moves to tighten up control over the banking system.

Within three months of the Chiasso disclosures, the Swiss National Bank had brought about an ostensibly "voluntary"

It was always unlikely that the motion would be eccepted by the nocessary double majority of popular and can-tonal votes. Left-wing backing for a referendum usually does more harm than good in Switzerland, quite apart from which the everage Swiss approves of the banks rather

Nevertheless, bankers will be elieved finally to know that the long period of susponse is over.
While the proposal catagorically guaranteed the upholding of banking secrecy, it did e great deal to weaken this as a

general principlo. Among the constitutional amendments embodied in the motion were those laying down that banks, finance companies and the like would "be obliged to the interval of the control of the like would be obliged. and the like would be obliged to give information to anthori-ties and courts in fiscal and criminal cases" and that Switzerland should as a rulo support foreign countries in their criminal investigations specifically including those in-volving fiscal and currency

At the same time, banks were called upon to improve their reporting procedures, while rules were foreseen to limit tha panies and to introduce a schemo to insure clients' deposits. All in all, it is under-standable that the bankers were nervous at the mere possibility of the motion being approved. Not the least of their fears has been what the Swiss. Bankers' Association calls a "loss of confidence on the part of foreign customers and a

sovereign risk.

Vote ends uncertainty over secrecy

The generally more critical line on bank control has also been reflected in the draft for the revised Banking Act. Among othor things, this proposes deposit insurance as foreseen by the Banking Motion.

by the Banking Motion.

In a move to anticipate this, the Bankers' Association recently came up with its own insurance project, which is based on "fire-brigade" action by signatory banks in case of the follows of the follows. the failure of one of their number—rathor than on the unpopular idea of a standing consequent exodus of funds

insurance fund.

Swiss banking bas also been subject to not a little pressure from abroad, particularly from the United States. As a direct result of repeated moves by the Securities and Exchange Commission the Bankary Associa-In fact, the Chiasso affair and tha Damocles sword of the Banking Motion have already mission, tha Bankers' Associa-tion agreed in 1982 to a special Memorandum of Understanding by which U.S. clients signed a waiver empowering their iden-tity to be disclosed in the case

about an ostensibly "voluntary" agreement with the Bankers' Association to improve the Identification of clients' funds and counter bank action to aid and abet the flow of fugitive money from abroad; to date, at least 13 banks bave been fined—two of them sums of SwFr Food Coach—for contraversation. of insider inquiries.

Now this has become superfluous—but only beccuse of the final introduction of insider-trading rules under Swiss law.

Apart from all this, the bank-ing sector is doing very well for On,000 each—for contravention ing sector is doing very well for successful to have latten on.

Bankers traditionally dislike this agreement.

Bankers traditionally dislike to presenting too rosy a picture of their business, but almost every-500,000 each—for contravention of this agreement.

assets have risen again in the means usual, first quarter of 1984 despite 2 The first slight drop in the dollar rate.

Growth More important than this is the fact that 1983 doubtless showed the highest bank profits in history,

Earnings of the Big Five-Union Bank of Switzerland, Swiss Bank Corporation, Credit Sulsse, Swiss Volksbank and Bank Leu—rose by between 10 and 22 per cent, with similar

profit growth for most other leading banks. One of the most encouraging features of last year's profit and loss accounts was that almost all sectors of activity contributed to the overall rise in

The biggest gains were in net commission earnings, thanks largely to the stock market boom at home and abroad, and in net earnings from securities. Increased business volume led to a rise in net interest earnings—in part substantial—for most banks despite narrower margins. Only in the field of precious metal and foreign exchange trading do total profits seem to have fallen off.

Bankser traditionally dislike

The first few quarterly reports for January-March. 1984, suggest that the favour-able conditions are continuing. Bank Vontabel, which has just published Switzerland's firstever corporate profits forecast, already expects that listed banks will raise their earnings by 15 per cent again this year.
The three biggest banks (UBS,
SBC and Credit Suisse) have
themselves said they expect another very good year.

Good position

Swiss bankers will, however still have to set uside large sums as provision against risks. The Banking Commission admits that Switzerland is in a good-position in respect of sovereign risks in comparison with some other countries and believes that overall exposure declined in 1983; at the end of 1982, Swiss banks had had a total ex-posure of SwFr 23bn in 60 "problem countries," some 60 "problem countries," some 60 per cent of this in Latin

Nevertheless, the Commission is watching credit limits closely and has, as already stated, acted

SWITZERLAND'S BIG FIVE BANKS

			(F)	gures i	n SwFr	m)						
						Due to	banks 1982			Net p		Net pro
106,353	115,142	30,917	34,216	47,042	49,047	25,182	28,155	67,393	72,449	437.5	506.0	+15.6
73,497 19,737			18,601 2,498	36,171 14,026	35,445 14,696	17,412 1,943	18,467	47,811 16,151	50,559 17,414		429.0 351.6 62.2 35.0	+16.1 +16.0 +22.2 +10.3
	to: 1982 106,353 96,816 73,497	106,353 115,142 96,816 105,156 73,497 77,268 19,737 20,646	total bar 1982 1983 1982 106,353 115,142 30,917 96,816 105,156 31,783 73,497 77,268 16,264 19,737 20,646 2,478	Balance-sheet total Due from banks 1982 1983 1982 1983 106,353 115,142 30,917 34,216 96,816 105,156 31,783 27,504 73,497 77,268 16,264 18,601 19,737 20,646 2,478 2,498	Balance-sheet total Due from banks Advantage of the custom of the custo	Balance-sheet total Due from banks Advances to customers 1982 1983 1982 1983 1982 1983 106,353 115,142 30,917 34,216 47,042 49,047 96,816 105,156 31,783 27,504 39,562 44,312 73,497 77,268 16,264 18,601 36,171 35,445 19,737 20,646 2,478 2,498 14,026 14,696	total banks customers Due to 1982 1983 1982 1983 1982 1983 Due to 106,353 115,142 30,917 34,216 47,042 49,047 25,182 96,816 105,156 31,783 27,504 39,562 44,312 22,102 73,497 77,268 16,264 18,601 36,171 35,445 17,412 19,737 20,646 2,478 2,498 14,026 14,696 1,943	Balance-sheet total Due from banks Advances to customers Due to banks 1982 1983 1982 1983 1982 1983 106,353 115,142 30,917 34,216 47,042 49,047 25,182 28,155 96,816 105,156 31,783 27,504 39,562 44,312 22,102 23,123 73,497 77,268 16,264 18,601 36,171 35,445 17,412 18,467 19,737 20,646 2,478 2,498 14,026 14,696 1,943 1,617	Balance-sheet total Due from banks Advances to customers Due to banks Cinstoners 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1982 1983 1982 1983 1982 1983 1982 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1983 1982 1983	Balance-sheet total Due from banks Advances to customers Due to banks Customers' deposits 1982 1983 1982 1982 1982 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 198	Balance-sheet total Due from banks Advances to customers Due to banks Customers' deposits Net p 1982 1982 1983 1982 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1982 1983 1982 1983 1982 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1983 1982 1982 1983 1982 1982 1983 1982 1982 1983 1982 1982 1983 1982 1982 1983 1982 1983 1982 1982 1983 1982 1982 1983 1982 1982 <	Balance-sheet total Due from banks Advances to customers Due to banks Customers' deposits Net profits 1982 1983 1983 1982 1983 1982

Competition cuts into profit margins

After an uneven year in 1983, when the banks recorded some strengthening of their foreign ousiness but a lacklustre home performance due in part to slower ovorall economic growth, Austrian bankors are cautious bout prospects for 1984.

For the first time in many years, the average volume growth for the banks fell to single figures in 1983 compared with growth rates of 12-15 per cent in earlier years. The ther downward trend should be confirmed this your.

after the strong expansionary impetus provided by the changes introduced in the 1979 Banking Act, which allowed all banking institutions to turn themesives into universal banks on the West German or Swiss model. The formerly highly sectionalised banking com-munity rushed into new areas of business. Many new branches were opened, starting a period of intense competition for domestic customers. More banks also ventured into foreign busi-

ness for the first time. That impetus has now dampened and in practice tha various groups - commercial banks, savings banks and other specialised institutions serving farmors and small businesses — still broadly retain their original markot base and share.

But the strong competition traditionally low profit margins.
In the foreseeable future growth rates for the banks are likely to remain at about 6-8 per

Austria's economic performance continues to compare favourably with thet of many other industrialised countries. Inflation is still relatively low

KONSOLIDIERUNG (Consoliper cent — up from 3.3 per cent respectively. With more foreign dation) is the watchword for in 1983 — while the estimated business last year, the banks accommodate this year consistency of the provisions against international provisions against international respectively. With more foreign during the provisions against international respectively. With more foreign during the provisions against international respectively. With more foreign during the provisions against international respectively. has been revised upward from provisions against international 1.5 per cent to 2.5 per cent lending risk as well as domestic partly as e result of strong ex-

> Consumer demand is still high although somo companies say they are witnessing the first signs of a slackening of demand. The financial institutions are now waiting to see whether the success of many medium-sized companies last year will lead to e greater demand for credits success of many medium-sized couraged consumption, which companies last year will lead showed an especially strong into e greater demand for credits creaso at the end of last year or whether they will draw on their own resources for investment.

Last year a poor investment climato, with uncertainty about Several factors are responsible the new Government's economic slower growth was inevitable resulted in a low credit demand from industry. End-ofyear figures for loans to in-dustry fell 3 per cent. Total domestic lending remained below averago and would have fallen much more but for a high demand for loans from public

> Public-sector and Government borrowing grew by about 50 per cent in 1983. Although the banks are boping for a slight improvement in demand for credits this year the uncertainty

The major banks have continued their steady expansion of foreign business. Creditanstalt Bankverein retains its lead, tinued their steady expansion of foreign business. Creditanstalt Bankverein retains its lead, increasing slightly, although still with foreign business accounting for nearly 50 per cent of its balance sheet.

Oesterreichische Landerbank und Girozentrale foliows with 33 per cent and 30 per cent spend more and save less.

Indications so far this year suggest that savings may be increasing slightly, although still falling short of the levels recorded in earlier years.

More worrying for the banks is the potential impact of a recently published court ruling which re-intorpreted rules on

Among the more negative features last year was the stagnation of savings accounts, attri-buted to the introduction of a 7.5 per cent tax on interest on savings deposits and bonds. This discouraged savings and en-civil and criminal law. Num-According to a recent OECD bered accounts and anonymous study on costs and margins in bered accounts and anonymous study on costs and margins in Austrian banks rank among the

Austria PATRICK BLUM

rates of Value Added Tax taking effect on January 1 this

The tax on interest was some form of taxation on tha anonymous savings accounts which are tolerated by Austrian law. That anonymity was pre-served by the banks deducting the tax at source. But some duction of the tax may result in a longer-term propensity to spend more and save less.

spectors greater access to in- dustrial enterprises, formation from businesses and . Individual investo

This ruling has caused con-cern among financial institu-tions, which claim that it sets a precedent that could undermine

used. Disclosing information about an account is an offence biscussions are now under way between the banks, lawyers and the Finance Ministry to find which drives the banks constituted by the banks constitu ways to cancel the ruling, which stantly

their money in Austria.

The bond market had a nearvided one of the brighter spots on the domestic scene. Tha banks also had some success

access to files giving tax in- tificates is invested in small in-- Individual investors are en-

couraged to subscribe by fevourable tax concessions. More than Sch 2bn of these have been sold, providing a welcome boost to bank income from fees.

Austrian banks rank among the best - second only to Japanese banks -- in keeping their operat-

some bankers claim could dis-efficienc; the growth of foreign courage people from placing business, which is proportionately less costly, the high degree of electronic accounting and record year in 1983 and pro- paradoxically in view of the strong competition, the wide-spread co-operation between the banks in providing joint services with the participation certifi-cates introduced two years ago. sing system which operates The money raised by these cer- throughout Austria.

GROWTH OF THE AUSTRIAN BANKS

	Oun as named and	me one care or b	Private
	Total	Fore	ign
1980	Assets 1,858,724	Assets 314,473	Liabilities 362,368
.1981	2,120,577	382,745	436,281
1982	2,537,483	454,087	478,810
March 1984	2,568,657	558,902	571,577

Despondent view of cost increases

Greece

ANDRIANA IERODIACONOU

WHAT PAY increases are we going to have to pay this year? I haven't even bothered to staff, make it impossible to check. What's the point? How- "trim the fat," bankers say. ever outrageous union demands are, we'll have to meet them," the manager of one Greek private commercial bank said

His comment was typical of the despondency afflicting tha Greek private commorcial banks as they struggle to preserve shrinking profit margins against the odds of rising labour costs, tight monetary policies and declining private deposits. Commercial banks account for

many of their problems on the tem, state banking system. "Think of us as tiny sardines thrown into a tank with piranha," said enormous advantage over us they don't have to worry about Mr Petros within the given profits."

years to allow wage increases declining private deposits. In for political reasons without 1983 these reached \$327m comhaving to count the economic pared with a tergot of \$400m.

Salaries have been roughly pegged to Greece's 20 per cent-plus annual rate of inflation since 1982, while such changes as the extension of workers' paid leave from two to four weeks a year have made necessary the hiring of additional staff.
Strict restrictions on sacking

Operating costs have also gone up because of public utility rate increases. Charges for com-puter terminal telephone lines, for example, recently quad-Another problem is the com-

plex system of reserve requirements and rebates applied to bank credits since the mid-1960s. This ties up over 70 per cent of banks' deposits in Treasury bills or other reserves. sury bills or other reserved.
This is coupled with an intri-

iust 10 per cent of Greece's cate wob of credit restrictions banking business. Foreign banks represent about 15 per cent, while the lien's share is cent, while the lion's share is economy. Bankers say recent held by the state-controlled measures to liberalise the tangle wational Bank of Greece and of over 100 interest rates the Commercial Bank Group.

Greek private bankers blame made a small dent in the sysapplied in the past have only

"The degree of freedom to as tiny sardines thrown define our own leading port-tank with piranha," said folios is virtually nil," ono "State banks have one banker commented. "Wo just choose betwoon Mr Ylannis and

This fact has enabled the Against this background, Government in the past two banks have had to cope with

relative to the 20 per cent inflation acted as a strong disincentive.

the opening of foreign exchange accounts with foreign exchange interest rates and withdrawal rights by Greek residents, which led to the opening of some \$120m in deposits with commer-

For 1984, the Government has alsed sevings deposit interest ates by 1.5 per cent to 15 per cent to 15 per cent and increased the yield our reasury bills by 2.75 per cent, bankers fear that the Government in the forest that the Government in the control of the same of the control of the same of the control of the same of the control of raised sevings deposit interest rates by 1.5 per cent to 15 per cent and increased the yield on treasury bills by 2.75 per cent, to 17.5 per cent for three-month bills and 17.75 per cent for six month bills.

But lending rates have re-mained frozen and the Government has remained set on a tighter monetary policy.
"The main thing is that we

don't see an end to the squeeze in liquidity," said a banker. "We are living on 30 per cent of our deposits, which aren't growing significantly. We have to survive by being as all things to all beautiful aren't hungry and serving as all things to all borrowing men." For the 28 foreign banks with

branches in Greece, however, the ovorriding problem is a continulng pltched battle with OTOE, the powerful Federation as negative real interest rates of Greek Bank Workers,

Since spring last year the radical leadership of OTOE has Commercial bank lending to the private sector increased by les than 13 per cent, compared to a 20 per cent target, a symptom of poor long-term loan demand during Greece's current investment slump.

Ono innovation last year was the opening of foreign symptom against foreign banks with two aims: to bring all foreign bank employees under its own union establish employee participation in the banks' decision-making on all levels, including credit policy.

oredit policy.

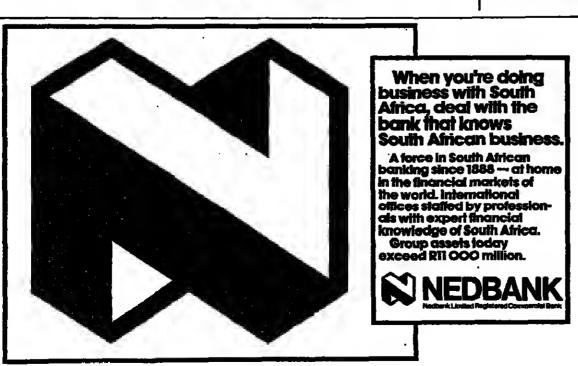
OTOE is trying to achieve its first aim by demanding that all foreign bank employees—who number about 3,000—transfer from their present non-unioncontrolled state pension fund to e small private fund which stipulates OTOE membership as a precondition for joining.
It is reported that OTOE has

ment may give in to OTOE's demands in the light of the European elections on June 17.

The two-year old Socialist Government led by Dr Andreas Papandreou, is anxious not to annoy the unions in the pre-election perical. Foreign bankors say they are

contemplating mass action if OTOE presses its demands, But so far they are not talking about a mass exodus from Greece.
"Most of us are prepared to
stay on and fight," one foreign bankor said in Athens, "What is certain is that the climate is

discouraging new banks from setting up shop in Greece. Swiss, German, American and Japanese banks have come, taken one look, and gone,"



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Marathon crisis may cost \$6bn to sort out

SPANISH MOVES to extradite Sr Jose Maria Ruiz-Mateos from West Germany, where he was detained on April 25 -a year after state prosecutors in Madrid filed charges

against him of currency and other offences—mark the last act of a marathon banking crisis.

Sr Ruiz-Mateos, founder and—before the Socialist Government came in and expropriated him in February last year—chairman and chief shareholder of Rumasa, Spain's largest private-sector holding company, controlled

Spain

DAVID WHITE

However, the personality mix

The two Basque-origin banks

Vizcaya (which now bas Ceta-

de Bilbao and Real Sociedad

enough on its hands following

the takeover of Bankunion and Urquijo, now joined together

national banking.

With the addition of this group, almost half the total of Spanish banks in existence in 1977 have run into serious difficulties—about 50. There is no longer even an exact count, since it has already happened that a bank has foundered, been rescued and foundered again with its rescuer.

The crisis reached its climax more forceful presence in inter with three victims each outrank-ing in importance all that had gone before—Banca Catalana, Spain's last full-scale regional bank, which had to be salvaged in 1982, the prestige Banco Urquijo, the leading industrial bank, which had to be taken over with official aid, and Rumasa, seized in extremis by the government.

Popular, are not considered to be in the marriage market. Altogether the crisis, the worst ever in Spain and one of the worst of any Western country in recent years, has hit about e fifth of the banking system. The final figure required to sort it out is estimated to be close to e 13-digit peseta sum—in the order of \$60n or more. lana under its wing) and Bibeo, are no more likely to play on the same side than the two Basque football teams Athletic Banco Hispano-Americano has

The troubled banks have mostly been absorbed by more urquijo, now joined together solid competitiors, including as Banco Urquijo-Union, and the gloomy giants, Banco Central and Banesto are ancient rivals. ing Corporation.

The Deposit Guarantee Fund —the bank bospital supported by all the banks, according to their deposits, and by the Bank of Spain—now has no more banks on its hands except for panks on its names except for the remainder of the Rumass banking division, which it bas been charged with administer-ing, and a collection of assets left behind by the banks which bave passed through. Sr Jose Ramon Alvarez Rendneles, who has been Bank of Spain Covernor themselver.

of Spain Governor throughout the crisis, reaches the end of his mandate this summer con-fident that no further disasters

are imminent.
The effect of five turbulent years has been to eccentuate the concentration of banking in Spain. The "Big Seven" now control a total of 50 banks, compared with 29 in 1976, and account for about 80 per cent of overall bank deposits.

Fierce competition

However, competition remains fierce. Most of the banks have one or more subsidiaries which one or more subsidiaries which have been set back on their feet by the Deposit Guarantee Fund. Up to now the general rule—which does not apply to the Rumasa banks—has been to exempt these banks for several years from obligatory deposits and credit allocations, allowing them. them to invest these funds more profitably and thereby enabling them to offer highly competitive terms to investors. This complicating factor con-tributes to the big banks' inability to operate an effective This complicating factor contributes to the big banks' past four or five years. So Miguel Boyer, the finance minister, bas said he favours dismantling the compulsory quotas "in the future, when there is no crisis." But this presupposes success in bringing supposes success in bringing the major banks themselves, socialist ministers would favour new mergers to give Spain a financing needs

Socialist ministers would favour down the p new mergers to give Spain a financing needs.

ncreas

THE Socialist-Social Democrat coalition of Sr Mario Soares bas finally done what other govern-

ments had put off.
In February legislation was enacted permitting new banks, foreign or domestic, to open in Portugal after nine years in which eight nationalised banks and three old-established foreigners have enjoyed a

losed shop.
So far, eight institutions bave resented formal requests to be allowed to open up in Portugal. Seven are foreign — Chase Manhattan Bank, Citibank, Manufacturers Hanover Trust, Banque Nationale de Paris, Paribas, Societe Generale de Banque (Belgium) and the Bank of Credit and Commerca International.

International.

This is more than the four or five foreign banks which the authorities deem an acceptable number for tha first stage of liberalisetion. No one at the moment would care to guess who will be told yes and who will be held over for another occasion. The example of Spain, whose liberalisation attracted a spate of foreign attracted a spate of foreign banks, looms large in the minds of senior financial officials.

on the Spanish banking scene limits the possibilities for new alliances. Banco Exterior, the number eight bank, is out on According to the new law, the Bank of Portugal has 120 days from the date of application to consider requests and report to the Prime Minister and Finance its own because it is majority state-controlled. The two smallest of the big seven, Banco de Santander and Banco who will sign anthori-

The first applications began Entwicklung Geselleschaff) and in March. Would-be foreign Britain's Investment for their directors biographies, sbarebolder lists, authorisations, (if applicabla) from the authorities of their countries of origin to open foreign branches and other required information. It will be July at least before any euthorisations come through and probably several months thereafter before the first new foreign banks in Lisbon open

their doors to customers. Several other foreign banks are interested in principle in a branch in Portugal, but at taking their time before laying down an original capital of Es I.5bn—\$11m—and are watching how the competition fares. Meanwhile, a Portuguese institution with strong foreign connections, the Sociedade Portuguesa de Investimento (SPI), bas elso applied for permission —in its case to become an investment bank. Launched in October 1981 under a law allowing para-banking concerns such as investment companies, leasing companies and regional develonment companies to be formed. SPI has about 100 small Portuguese sharebolders and e strong showing of inter-

for branch openers have been industry among its partners, struggling to provide cotarised its first two years of operaauthenticated translations of tion allowed SPI—and other tion allowed SPI—and other investment companies that followed suit, MDM (Morgan Deutsche Mello) and Eurofinanceira (Banque Nationale de Paris aod the Bacco de Fomento Necional)—to fill notable gaps in Portuguese financing.

Portugal

HTIME ANAIG

Demand for the services of investment and leasing com-panies, which bave foreign chareholders, has been buoyant. Their performance has been dynamic too. The Portuguese have traditionally been slow in repayment and this bas plagued leasing companies. Now customers are being educated into paying faster.

These companies' strong per-

formance is an encouraging sign that given efficient and disciplined tools the Portuguese national bodies—the Inter-market can diversify and nationel Finance Corporation, modernise. A newer entry on

Investimento e Servicos Finan-ceiros, where Lloyds and Sumi-tomo bold shares, makes its official debut The nationalised banks are

hamstrung by tough credit ceilings, continued overmanning and slow mechanisation. Their future is under study and will be determined when the second stage of the Soares Government economic recovery programme comes in to force later this

year.
Officials hint at several mergers—2 prospect that dismays stronger banks who dread absorbing weaker vessels and thousands of workers. But denationalisation is not possible under present laws and mergers seem the only way of stream-lining the system. There is an innate tension between younger or more energic managers in the nationalised banks, who try to run operations like competitive bankers and a large doggedly-bureaucratic layer which resists the notion of modern, diversified banking.

Portugal is struggling to cial overcentralisation and backwardness and one decade of the aftermeth of a brief attempt to enforce state capitalism on nationel Finance Corporation, modernise. A newer entry on a Western nation. It takes time Credit Lyonnals. Union de the scene, concentrating on tradto cure conditioned reflexes anque Suisse, DEG (Deutsche ing in bonds and other paper, caused by such strictures.

The seven Comecon countries improved their hard currency trade balances from \$8bn in 1982 to \$9.38bn in 1983

Officials now considering requests from seven overseas banks.

Doors open to foreign institutions

Shrinking indebtedness to West

socialist partners.

operation (the East's answer to the IMF) and the International

Eastern Europe

DAVID BUCHAN

IT IS, by now, a commonplace that generally the Soviet Union Close collaboration and Eastern Europe eppear better lending risks than they Nevertheless, the main banks did one or two years ago.

This improvement is both relative to the buge pile of debt in Latin America and elsewhere in the world and ebsolute, in the sense that the Soviet Union and its six East European do collaborate closely in their dealings with the government. The main issues recently have been proposals for ensuring the reprivatisation, in Spanish hands, of the 17 other Rumasa banks currently in state owner-ship (which have more than 1,000 branches), and for taking up the public debt issue which the government plans to fill the buge gap in Rumsas's books. partners in Comecon have fur-ther reduced their indebtedness Net hard currency debt of these seven countries fell a further \$6.6bm last year, to a level of \$64.5bm, according to buge gap in Rumasa's books. This is put at up to Pta 400bn. While the string of bank collapses has come to a halt, and agreement bas-finally been reached on a complex financial restructuring at the country's biggest private industrial group. the Vienna Institute for Com-

parative Economic Studies. Half of this reduction is simply the book-keeping effect Explosivos Rio Tinto, fresh burdens loom for the banking system: Rumasa, the govern-ment's \$6bn plan for streamthe non-dollar denominated liabilities of Comecon eppear less in dollar terms. But the other half of the lining lame duck industries, and above all the historically high improvement is real—the result of the seven Comecon countries

above all the instortion right public sector deficit, which business circles fear will be more than the 5.5 per cent of GNP projected by the governimproving their bard currency trade balances from \$8bm in 1982 to \$9.38bm in 1983 and a comparable improvement in cur-rent account surplus from The combined compulsory deposit requirements and compulsory credit allocations imposed in commercial banks have been raised to a point where \$4.5bn to \$6.7bn. Selective lending to the re-gion has now resumed, with the Soviet Union, Hungary, East Germany, Czechoslovakia all

they cover half their total deposits, and the base on which they are calculated has been extended to take in new quasimoney instruments. These instruments have been part of getting some new medium-term Western finance in the past year. The difference this time around is that the cantion is more on the side of Eastern borrowers who bad their fingers the raison d'etre of the more dynamic foreign banks which have come into Spain in the burnt in the 1981-82 credit wbo would like to exploit the improvement in Eastern external finances.

This is particularly true of the Soviet Union and its two closest allies, Bulgaria and Czechoslovakia. With the lowest debt ratios

in the region, this conservativa trio is in the happy position of being able to let domestic de-velopments determine foreign borrowing, rether than tha other way around.

Hungary and East Germany also want to keep a lid on their debt exposure to the West, but they both bave relatively high levels of debt to service and bave been able to borrow more bave been able to borrow more to cover this—Hungary through drewing on International Monetary Fund and World Bank resources (which, in turn, has reopened its commercial credit channels) and East Germany through the financial spin-off from its political relationship with West Germany.

Polish logjam

Even the three casualty cases, Poland, Romania and Yugo-slavia, are now in slightly better shape. Poland is still in a logjam with Western governments over the nearly \$17bn (over half total Folish debt) which it

But its relations with Western commercial banks have been put on a nearly normal basis by the recent agreement to reschedule all payments due on Foland's unguaranteed debt until 1988, end to grant Poland short-term credit facilities this year and next up to \$700m.
Romania has avoided a further

rescheduling of its debts this year. Its external position wes evidently comfortable enough this year for it to forgo drawing on a final \$285m tranche of its IMF credit, because Buche-

adjust than the Comecon coun- for food. It would be much tries, partly because it has e worse off, should the Comecon weaker, more decentralised government and banking system than they do. But precisely for the reason that it is non-aligned and outside Comecon, its creditors have gone to greater lengths to accommodate Yugoslavia, with special Western government aid in 1983 and a second IMF standby credit in Obviously, Western lending to

with its large debt burden in annual rescheduling exercises

(the 1984 one has been com-pleted). It is proving slower to

the East does not take place in a vacuum. It is closely related to the pace of East-West trade, which staged a further recovery last year from the trough of 1981. Whether the improvement can be sustained turns on several key factors, among them the export earnings from sales of Soviet energy and East European manufactured goods to the West.

Soviet oil exports

The Soviet Union may bave hit a plateau in its energy exports which account for nearly 80 per cent of total export earnings. The West European market for its gas is, for the present, saturated, while domestic output of oll is stag-nating and Soviet oil exports only sustained by increased amounts of re-sold Middle East

The East Europeans, for their part, are likely to find that their sharp cutbacks in investment

NET DEBT	IN S	BN
	1982	1983
	End	Enc
Bulgaria	1.9	1.5
Czechoslovakia	3.4	3.0
East Germany	16.4	9.3
Hungary	6.8	6.2
Peland	25.0	25.
Romania	9.4	8.6
Soviet Union*	10.6	7.5

during 1981-82 will damage future export competivity by postponing needed modernisa-tion of industry. In these

circumstances, the only way the East can buy more Western goods is on Western credit. But the new financial con-servetism of Comecon planners towards the West is likely to get a powerful political boost next month when Soviet bloc party leaders hold their first summit meeting on Comecon business This long-overdue meeting

can be expected to produce a call for greater economic integration inside Comecon, couched as a political riposte to recent Western sanctions and current Western attempts to tighten controls on militarilysensitive exports.

Better trading arrangements

inside Comecon would probably stem for a time at least the growth in East-West trade. This, bowever, begs the question of whether better trading arrangements are pos-sible without the creation of a proper multilateral currency in Comecon to supplant the "transferable roubla" (which despite its name is only a unit of eccount in bilateral barter deals and is not a transferable means of settlement).

In the present ebsence of e multilateral currency, the Western convertible currencies which Comecon has acquired through trading with or borrowing from the West have proved increasingly useful. Comecon countries happily accept hard rest did not want to bother to meet further IMF policy condi-tions.

currency as payment in their dealings with each other, and some countries do very well out

Hungary, for instance, offsets its hard currency trade deficit with the West with the dollars it earns from the Soviet Union mercial banks, to \$3.55bn last year, according to estimates by Wharton Econometrics.

The Sovlet Union, which dominates the two Moscow based Comecon banks, is evisummit decide that capitalist currencies were inappropriate means of settlement between dently no longer interested in using the institutions as addi-tional means to run up Western It is possible that the summit

may give more of a role to the two Comecon banks—the Inter-national Bank for Economic Co-In the probable absence of Comecon financial reform, any banking changes are likely to be et the national level. So far the the IMF) and the International only country contemplating this Investment Bank (its version of is Hungary, where the Netional the World Bank), But it is unlikely this will involve more of a separation between its borrowing in the West by these central banking and credit bankthe World Bank), But it is unlikely this will involve more of a separation between its borrowing in the West by these banks, which in the past four yeers have steedily reduced stimulating some competition in their net debt to Western com-



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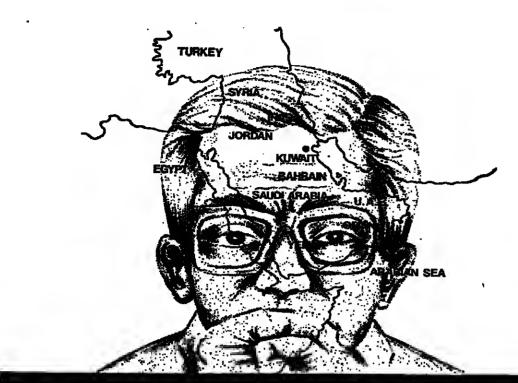
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Yugoslavia is still struggling of this.

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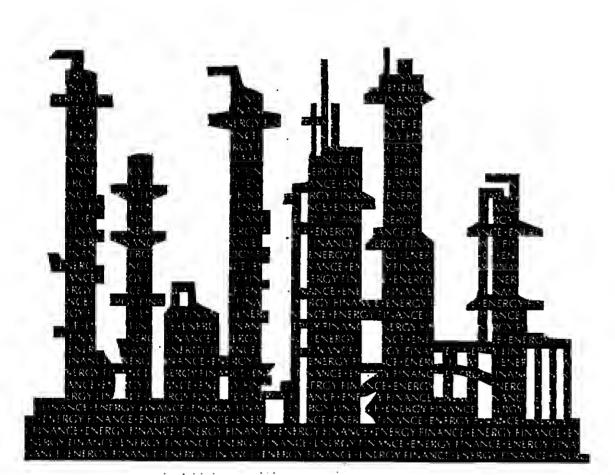




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Internal banking arrangements in some of the leading Middle Eastern countries are undergoing rapid development towards advanced Western methods, nowhere more so than in Turkey, Saudi Arabia and Egypt. FT correspondents highlight the trend

Burden of non-performing loans

Turkey

DAVID BARCHARD In Istanbul

WHEN A senior Turkisb Government official recently told a meeting of bankers in Istanbul that about 9 per cent of loans by commercial banks were non-performing loans, his words went almost unreported. Turkish husinessmen, bankers and financial journalists believe the real figure to be much higher. "Our bank bas loans outstanding of aboot 25 to 30 per cent." says the owner of one per cent, says the owner of one is stanbul-based bank. But he is quick to add: "I wouldn't call them non-performing in the usual sense. Only about 5 per cent of our loans will never

perform. It seems to be a question of definition. But by Western standards there is no doubt that because of the effects of three years of monetary policies along IMF-approved lines, much of industry is beavily indebted to the banking system and un-able even to keep up with its in-

standing and patience may be sufficient to get the Turkish banking system off the rocks. Since the beginning of 1983,

The rest of the banking world is struggling to avoid a similar fate. Turkish banking practices developed in a period when conditions were cosy for both borrowers and banks, with high profits coming from transaction charges combined with interest

rates that lagged below infla-

Banks vied with each other to win customers by building more and more branches. Their advertising in the campaign for customers for their expensive and inefficient services domi-

every night.
Since 1980 the picture has changed drastically. Mr Turgut Ozai, the new Prime Minister, bas imposed interest rate liberalisation on an unwilling banking community. Competi-tive interest rates for com-mercial lending and borrowing, long resisted, finally arrived in early May. There was a span of no less than 12 per cent between the rates offered.

The banks offering money on the cheapest terms—notably Interbank of Istanbul—were conspicuously the most profit-able and efficient operators,

Saudi Arabia

ANDREW GOWERS

where carrying a retern of 10

per cent and more — is thus being gradually removed.

But the most important change under way for Saudi

banks is undoubtedly their in-

creasing involvement in the

domestic economy. Hitherto

this has been driven primarily hy government spending, but

hy government spending, but if the authorities have their way, it will come to rely more

and more on the private sector

According to estimates hy the Finance Ministry, the banks' lending to private business increased by 18 per cent

in the most recent year—a remarkable figure at a time of

This again entails increased

administrative spending as the

banks refine their approaches

to credit analysis, a relatively new and difficult science given the lack of reliable accounting

methods in Saudi businesses.

overall balance-sheet

in the next few years.

bave bad to close their doors.

Two more are known to be in leave up to 20 per cent of his serious danger.

a borrower may often have to the outstanding non-performing leave up to 20 per cent of his loons in the banks' portfollos.

Because of the umbilical links 'hlockage " against default.

For depositors the conditions are better. Mr Ozal has pledged to keep real interest rates above inflation. Sight deposits attract 5 per cent interest, while one-month money earns 35 per cent and three months money 52 per cent. Six months money earns 48 per cent and one-year money 45 per cent. Interest

rates for deposits are atill set hy the Central Bank.
At the Central Bank, Mr Yavuz Canevl, a key Ozal lieutenant, is presiding over major changes of the system in the hope that the IMF will forestall possible crashes. Last December the foreign exchange régime was liberalised.

Central supervision

Turks cannot carry foreign currency and buy large amounts of it without restriction. Commercial banks now handle the majority of foreign exchange transactions and the role of the Central Bank is largely confined to supervision and policing.

Mr Canevi has ordered the

improvement of the banks' reable even to keep up with its interest payments.

A few months ago hank
managers were unwilling to
discuss the problem openly. Today they will admit that it
exists but suggest that understanding and prince way he
also emerent operators, improvement of the banks' reporting system so that changes
are offered by banks whose
are offered by banks whose
is also trying to start an effective interbank lending system.

"The Central Bank has to lead
and other charges are included,
is allowed and emerent operators,
while the most expensive terms
are offered by banks whose
is also trying to start an effective interbank lending system.

"The Central Bank has to lead
the way in this," be says.

is still at least 55 per cent and probably often more than 60 the changes may eventually per cent. Furthermore, though the banks all deny lt, it is com-These and other administra-tive changes may eventually mon knowledge in Turkey that any solution to the problem of

Because of the umbilleal links between many of the commercial banks, the fortunes of ailing industrial groups could jeopardise even efficient hanks. Last year a banking reform law was passed which tightened up lending requirements and extended the responsibilities of bank directors. But it does not appear to be cutting the banks free from industrial groups, at least in the sbort run.

State involvement in banking is another problem. banks are led by two giants— the Ziraat Bankssi (agricultural bank) and the Turkiyeis
Bankasi. Critics say the efficlency of both could be improved. But they—and the other state banks—account for 45 per cent of commercial de-posits and have the attraction

of unsinkability. The insolvencies of the past 18 months have further expanded the role of the state

Mr Ozal is keen to cut this hack. The activities of the The activities of the Ziraat Bankasl which showed a clear tendency to become an industrial rather than an agri-cultural bank during the final months of the Ulusu govern-ment, have been sharply clawed hack since Mr Ozal took over. Although steady improve-ments may have begun, no one is yet willing to suggest waya in which Turkish banking can solve these or its other main problems. For the present, the struggle to keep affoat takes

Vast amount of unbanked liquidity

AFTER YEARS of heady growth and unbelievably easy It also means greater exposure profits, Saudi Arabian banking is beginning to come of age and to feel the weight of responsibility which that entails. If they live up to official expectations, the Kingdom's 11 commercial banks will play a key role in the next phase of its economic development.

Already in the most recent fiscal year growth in assets and deposits—which only two years ago exceeded 20 per cent—has slowed to 3.8 per cent and 5.3 per cent respectively. Most banks' profits actually fell in 1983.

Apart from the obvious effect of the general slowdown in the Kingdom's economic growth, the main reason cited by the banks for this turnround is the in-

creasing cost of doing business. For example, as banks com-pete to draw in the still huge amounts of unbanked liquidity in the economy, they are having to expand their branch networks at a breakneck pace. The total of bank branches is still growing at an annual rate of more than 20 per cent and it will not be long before it tops 500, against less than 200 in 1980.

having to spend more on technological Improvements (Sandi-British Bank was the first to have a Kingdomwide computer link-up late last year and the others are not far behind) and on training staff and introducing new services. These include Saudi riyal travellers' cheques (introduced last year and off to a alow start), 24-hour cash dispensers and an increased use of personal cheques and credit

Competition will, if anything, be sharpened by the imminent arrival on the secene of the Kingdom's largest money-changer, the Al Rajhi Company Commerce, as an Islamic bank. As administrative outlays rise the cost of funds is also ste growing. Increasingly sophisticated individual customers and recently more cash-conscious Saudi companies are no longer as happy as they were to leave their money sitting in easy-toservice, interest-free current accounts.

A major source of Saudi banks' easy profits — the ability to turn interest-free liabilities into assets in Bahrain or elseto risk to a point which worries some bankers associated with particularly hard-hit sectors, such as construction.

Saudi banks are also being ctively encouraged by the audi Arabian Monetary Agency (SAMA), the Kingdom'a central bank, to take a leading role in the growing Saudi riyal syndicated loan market, which was dominated until recently by the offshore banking units in Bahrain.

Last year, as part of a policy to curb internationalisation of the rival SAMA decreed that foreign banks could not participate in rival syndications without prior permission, a move which has greatly reduced the

SR 973m credit

involvement of the OBUs.

The effect of this was already the market almost to Itself. felt in two major rival syndi-cations for Saudi public corporations a SR 686m loan for kept out of the market by the Saudi Basic Industries Corpora-tion and a SR 973m credit for the national airline Saudia. It will no doubt continue as new husiness flows in over the next year or so from SABIC and Petromin, the State oil marketing company.

Anticipated involvement by the banks in the Kingdom's future economic development does not stop at short and medium-term lending. Since last February they have been taking part in a monetary ex-periment by SAMA involving the launch of the central bank's first financial instrument.

tender for 91-day deposits of up to SR 400m, a practice which officials describe as a first step towards creating a range of financial instruments in the Kingdom and an embryonic tool to mop up excess liquidity. In due course the banks are also likely to have a rola to play in long-term lending ond in the provision of private

equity capital for industry. A frequent refrain from businessmen in the Kingdom is the need for a more sophisticated financial system, including an officially sanctioned stock

market to replace the present somewhat haphazzard system of unofficial share-trading.

Thus any eventual official market would probably bear some resemblance to the West German or Swiss systems in which a fairly small and tightly-regulated circle of banks has

As for long-term lending. Saudi banks have hitherto be heavy involvement of state lending agencies offering lending agencies offering interest-free credit. The commercial banks simply could not compete. One bank, the Saudi Investment Banking Corpora-tion, founded in the 1970s by Chase Manhattan, among Chase Manhattan, among others, with the aim of specialising in medium and long-term lending, has to extend its charterto cover a more profit-

But thereis little doubt that as the Saudi state scales down Its free gifts — as it has promised to do from next year-the banks will be called upon in this area too.

able range of activities.

Results of top three Saudi banks (in SRm)

Bank	Year	Net prefit	Deposits	Reserves	Fixed assets	Total assets
National Commercial	1982	544	43,393	2,800	1.459	51,112
	1982	577	45,369	2,400	1.137	51,137
Riyad	1983	603	20,464	2,954	354	27,565
	1982	586	19,069	2,389	258	26,505
Saudi-American	1983 1982	358 353	9,900 8,930	865 584	164	12,398

Tougher foreign currency

Egypt

CHARLES RICHARDS in Cairo

A NEW Central Bank law and revised currency regulations have been introduced in Egypt to increase supervision of banking operations so as to eradicate the foreign currency black market and combat corruption.

The Central Bank law, which came into effect in April, invests the Central Bank of Egypt, the regulatory authority, with powers to impose progressive sanctions on banks breaching CBE regulations such as the domestic credit imposed last year.

In the past, the CBE had only the ultimate sanction of withdrawing a bank's licence. It was never exercised.

The CBE may now also appoint officials to take over the running of a bank board. The need to stiffen bank manage-

Egypt — now nearly 80 — has authorised signatory who has not been matched in all cases aince left the bank. by higher standards of banking. Central Bank officials bave already been appointed to run two banks in Egypt, the Jammal Trust Bank SAL, hranch of a

Beirut-registered bank, and the

owned bank. by the Socialist Prosecutor-General entrusted with corrup-tion cases over alleged gross violations of banking regula-

Specifically, the banks were involved last year with a monay changer, Sami Ali Hassan, later blacklisted. who lost an estimated \$37m borrowed from Pyramids Bank by speculating in French francs.

Pyramids Bank sought to covar \$10m of this by obtaining collateral in the form of postdated cheques issued by the Jammal Trust Bank. Two other banks, the Faisal Islamic Bank, and the Egyptian Arab African Bank, also bad post-dated cheques from Jammal Trust,

Jammal Trust has refused to

Jammal Trust's chairman, Ali Jammal, who is a Lebanese national, bas been placed under house arrest under the emergency regulations after a request from the Socialiat prosecutor to the Prime

Pyramids Bank, formerly Al Ahram Bank, a wholly Egyptian-Minister. The case raises questions Both are being investigated about the use of collateral and Officials say the root cause is the inherent contradictions of the "own exchange" system for financing private sector

imports. Although It is illegal to exchange Egyptian pounds for freely tradeable currencles outside the banking system, importers may import without declaring the source of their

hard currency. New currency regulations introduced on March 31 are the first step in a plan to eradicate the black market and to channel the estimated \$30n a year demands they will continue to remitted from workers abroad go to like black markel.

through legal banking channels.

Critics say a more comprehen-

At present about \$1.3hn is for private sector imports (15 per cent of all imports), \$400m for

incidentals such as personal

Officials say that because of the inclasticity of demand, three or four currency brokers can keep the black market dollar rate artificially high.

Since March 31 banks have been authorised to buy dollars at Ef1.12, midway between the official rate of \$1 for Ef0.83 and the free market rate of \$1 for

Private importers may in theory buy dollars at Eff.17, but private banks who have no access to Exyplian workers in other Arab countries have no sources for finneling. Three banks, Misr International, Misr Romanian and El Nil, have applied to open offices in the other Arab states to Increase their competitiveness in trade

Private importers say that since the Big Four private sector banks cannot meel their

sive approach merging the E£0.83 and F£1.12 rates was ment is prompted by evidence honour the cheques, totalling investment companies needs also for i.s. 43 investment of banks licensed to operate in forgeries signed by an unpanies. The remainder is for the old rate still applies.

'Going local': the only sure way to win a greater market share

Bahrain MARY FRINGS

ON MAY 1 a 10-year-old local commercial branch of Grindlays Bank plc became Grindlays Bahrain, a joint venture national bank in which 60 per cent of the shares are held by leading Bahralmi citize panies and state pension Grindlays retains a

five-year technical assistance agreement; its offshore operations are not affected.

"Going local" is the only sure way for a foreign bank to increase its share of Bahrain's highly competitive domestic market—and not only because wealthy and influential Bahraini shareholders will put business in its way. Bonds and currantees for public sector guarantees for public sector projects are now arranged only through national banks; they also have a monopoly on local and Gulf company share issues, which have brought in fantastic

Privileged

If Chartered Bank and British Bank of the Middle East (BEME) still hold a privileged position among the Big Five, it is because long-standing relationships count for a good deal in the Arab world. Char-tered opened in 1920 as the Eastern Bank, and was the only benking institution in Bahrain for nearly a quarter of a cen-tury. Although BBME did not come in until 1944, it was still 13 years ahead of the first indigenous bank.

But in 1973, when Grindlays was given a licence to open a branch in its own name as compensation for losing its stake in the restructured National Bank of Bahrain (NBB), it already had a dozen competitors. third national bank (Al-Ahli) was to join NBB and Bank of Bahrain and Kuwait (BBK) before the end of the decade.

and an even slimmer 12 per based pan-Arab industrial procent of net profits.

The total assets of the 18 NRB's guarantee and letter-of-domestic banks amount to only 7 per cent of those held hy offshore banking units (OBUs)—94.4bn against \$60bn. But although sharply increased commercial registration fees may cut into profit margins this year, domestic business is far more lucrative. It is so lucrative. In fact, that

more lucrative.

It is so incrative, in fact, that the Bahrain Monetary Agency (BMA) has encouraged customer-awareness of interest rate margins by requiring publication of prime lending rates. The first published rates are mainly at the 10 te 10 te rent level, although Bank Saderat Iran goes as high as 12 per cent. This compares with a sixmenth denosit rata ceiling of month deposit rata ceiling of 71 per cent (or B per cent on CDs over BD 30,000).

CDs over BD 30,000).

It remains to be seen whether this initiative will lead to recriminations from customers given a lower credit rating—and to what extent the leftancy factor will prevent prime borrowers from taking advantage of higher dollar-deposit rates, given the minimal exchange risk.

Babrain has suffered less than its neighborns from the effects of the oil glut and

now gone offshore. Between after the completion of the them, these 13 hanks held only Saudi-Bahrain causeway at the 19 per cent of domestic assets end of 1985. Meanwhile, locally-and an even slimmer 12 per cent of net profits.

The total assets of the 18 NB's guarantee and letter-of-domestic banks amount to only credit basis and tourist coom.

domestic banking assets grew by a bealthy 8.8 per cent in 1983, and the only bank to lose money was Banque du Caire, which was BD42,000 in the red after provisions for bad and doubtful debts of BD183,000. This bank was one of the earli-est candidates for localisation, but the project was shelved when Egypt fell from Arab

favour.
Iraq's Rafidain Bank and the two branian banks showed nil belances (and thus no profit to repatricte) ofter transferring to provisions the surplus of operating income over costs. In the case of Bank Meli Iran these provisions amounted to BD1.944m (\$5.2m), exceeded only by the \$7.7m set aside by BBK from its gress domestic

Last year Grindlays came regional political risk. Private solidated assets and 42 per cent halfway down the list of hanks construction activity has reof its profits relate to its OBU operation and its hranch in the residual local branches of on possibly exaggerated hopes international banks which have of a business and tourist boom branch and OBU appear to make a much smaller contribution, with 63 per cent of assets and 94 per cent of profits being credited to Bahrain. However, credited to Bahrain. However, general manager Hassan Ali Juma explains that NBB does not treat its OBU as a separate physical unit and that in reality 30 per cent of profits were made

> gearing up for increased com-petition not only from Grindleys Bahrain but also from Grindlays Bahrain but also from the newly-formed Bahraini-saudi Bank, which is due to open towards the end of tha year. This BD 40m (\$106m) joint-venture has signed up Security Pacific International Bank as consultant and Chase bank as consultant and chase banker Richard F. Stacks as first general manager. Mr Stacks recently completed four years at the head of Saundi Investment Banking Corpora-tion (SIBC) in Riyadh.

All are stressing computerisa-tion as the key to better customer service. BBME has also installed Antomatic Teller also installed Antomatic Teller Machines (ATM's) for 24-hour banking at its bead office and five hranches. BBK bas established a separate office for foreign currency exchange, drafts and remittances, which challenges the Suq money-changers hy staying open until 7 pm. while NBB has extended 7 pm, while NBB has extended afternoon opening hours at its out-of-town branches.

Profitability of Bahrain's "Big Five" domestic banks, 1983 (BD 1=\$2.65)

65 per cent of BBK's con-

Bank	Assets excl. contras	Profit after provisions	Net interest income (as a per	Other income centage of	Operating costs averaga assets)	Net profit
	BD m	BD m	%	*	%	%
National Bank of Bahrain* Bank of Bahrain & Kuwait* British Bank of the ME* Al-Ahli Commercial Bank Chartered Bank*	354.39 300.75 90.56 136.74 147.38	12.07 8.53 1.97 2.39 1.48	4.51 5.22 4.08 3.49 2.41	1.19 0.40 1.61 0.44 0.70	1.75 1.61 3.36 1.64 1.98	3.94 2.99 2.14 1.89 1.02

Mergers on the horizon

Table compiled by Mary Frings on the basis of BMA statistics.

United Arab **Emirates**

KATHY EVANS

IN THE last six months the United Arab Emirates' banking scene has undergone some strain with the demise of the Dubat-based Union Bank of

Dubai-based Union Bank of the Middle East.

The repercussions of the Government bail-out last December have been felt throughout the banking system, and in particular among the local banks.

The Union Bank's difficulties began originally with a directive from the central bank which required loans given to directors to be no more than 5 per cent individually and 25 por cent for the whole board of the bank's capital.

The requirement, coupled The requirement, with a deadline,

from prominent bankers and merchants. They pointed out that in order to meet the central bank's requirements, the assets of directors could face being sold off at bargain prices. Such a move would depress the already recession-ridden economy.

In the case of the Union Bank, its former chairman Mr Abdal Wahab Galadari, has suffered a selzure of all his assets, including those over-seas. His local companies are now being sold off to other rival merchants in the emirate, a fact which he much resents. Peat Marwick enurate, a ract which he much resents. Peat Marwick Mitchell has been called in to orders of the temporary board of the bank, which was appointed by the Dubai Government.

All of this is happen despite the fact the UAE still has no code of bankruptcy. The rapid demise of one of Dubal's most prominent businessmen and tha bank that he chaired, once the third largest in the country, has shaken confidence, despite the rapid Govern-ment support which followed. Other, comparable banks, were also found to be in similar difficulties over their directors' loans, but unlike Union Bank, they have been given time to restructure the

The UAE banking system has also been affected by the slowdown in payments by the federal and local govern-

Prospects

Many of the local banks have found themselves keep-ing afloat local companies and contractors which are awaiting payment from the Government. Now a number have had to make larger provisions for bad debts, and this has trimmed balance-sheets back severely.

The country's largest bank was no exception. The National Bank of Abn Dhabi recorded a near-50 per cent cutback in profits in 1983, largely because of debt pro-vision. Profits fell from Dh 198m in 1982 to Dh 104m

Dh 198m in 1982 to Dh 104m last year.

The bank's overall balance-sheet fell from Dh 23.45m to Dh 22.75m. Cash balances went up from Dh 8.55m to Dh 9.265m while advances went up by a marginal 12 per cent to reach Dh 6.795m.

The present percentage

increase was recorded by the bank's Washington sub-sidiary, the Abu Dhabl Inter-

sidiary, the Abu Dhabi Inter-national Bank. Even customers' deposits fell during 1983. Naturally, the slack off market has also had its impact on the banks, and develc; ment budgets have been severely trimmed in the Emirates. In the past two seen severely times as the Emirates. In the pest two years, the country has had to transform from boom conditions to a sluggish and difficult market. The banking system is doubly hit by the sheer number of banks and branches in the country. The next 12 months should,

hopefully, see some progress on the merger plans talked about i

After dire troubles on the unofficial stock market . . .

Banks help to provide solutions

Kuwait KATHY EVANS

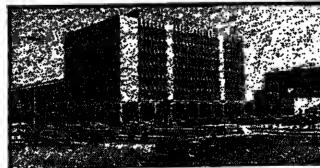
KUWAIT'S economic scene in 1983 and the current year con-tinues to be marred by the disster known locally as manakh." When clients fail to pay op—or, alternatively, don't order—all is explained in Kuwait by the Manakh.

In the last month, however, a new optimistic mood prevails. Hopes are high that, finally, the country may be seeing the light at the end of the tunnel, and that a solution is near on the post-dated cheques problem.

The Souk Al Manakh disas ter dates back to Septem 1982, when a crash on the Gulf stock exchange brought to light a trail of post-dated cheques, written as payment in forward

The mountain of cheques totalled a staggering \$94bn. Un-tangling who owes who — and how much can be paid—has obsessed most of the country's financial experts for more than

It has already cost one minister his job (the former Finance Minister, Abdul Latief al Hamad). The cheques problems has sharred some of the best families sowerment Ruwait. The banks have, to a large extent, emerged unscathed, largely because of early protective measures taken by the Central Bank. The monetary of the contral Bank and the monetary of the market index showed a cent of the assets; and the restriction of the assets of the restriction of the restriction of the assets of the restriction of



A new mood of eptimism prevails in Knwait's financial centre.

anthorities forbada the banks to 40 per cent difference to the lend for speculative purposes. Official Government support Even though the banks are level. Even though the banks are not directly involved (in most cases, anyway) they have involved by the stream of people being steadily referred to the Government receiver. So far, nearly 300 people have been identified as being unable to pay their debts, even at knock-down prices.

The downward trend was particularly noticeable in the industrial companies, many of which were burdened by post-dated cheques themselves.

Given that about 25 to 50 per cent of Kuwatt's total bank credit of KD 4.7bn was backed by official shares, abbet with

Al Mensich was also a blow to confidence in Kuwait, and the economy has to some extent been marked by stagnancy since the crisis. The general gloom, coupled with the seeming inshility of the Government to solve the problem, has also hit stock exchange orices, both on

the official exchange, as well as the Gulf markets.

Government support

The catastrophe of the Souk 200 per cent cover, the concern

But in mid-April a surge became epparent on the market, tation of a forthcoming solution to the problem from the

The solution will break down the assets of those already referred to the Government receiver, in three ways - real As shares are a principal form estate and official market shares best families, government officials and politicians in Kuwait. The banks have, to a decline in prices became worry-

mainder which it notes receive able from debtors.

Under the present formula, the three real estate companies and the Islamic Bank in Kuwait will take over the real estate assets. The shares will be taken over by the three semi-state investment organisations, while the remainder will be underwritten by the banks.

According to this formula, the banks will be asked to underwrite the debts owed by the solvents to those in receiver

It is too early to say yet whether the scheme will work, but what is certain is that KD 510m will be pumped into the system which could go e long way in providing the liquidity necessary for payments to begin.

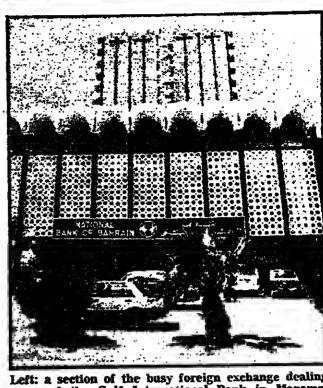
At the moment, the desire of Kuwaitis to believe in the formula's success may prove a vital ingredient in restoring

Conference on World Banking

THE Financial Times is organising a conference on the theme "World Banking in 1985" - the event will take place at the Hotel Intercontinental, London,

Further details are available from the FT Conference Organisation, at Minster House, Arthur Street, London EC4. Tel: 01-621 1355.





Left: a section of the busy foreign exchange dealing room of the Gulf International Bank in Manama, Bahrain. Above: the headquarters of the National Bank of Bahrain, the most profitable of the island-state's "Big Five" domestic banks

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Here and on the following three pages FT correspondents highlight domestic banking developments in the Asia/Pacific region

Big Four expect upturn

SINGAPORE'S strong-performing financial and business services sector grew by 16.3 per cent in 1983, faster than report says that an amount of interbank giro system, adding 1982s 12.2 per cent and second only to the construction vision for possible loan losses system to the automated clear-system where homeories helped first the expansion.

sector, whose borrowings helped fuel the expansion.

The two sectors together contributed more than balf of Singapore's better-than-expected 7.9 per cent growth last year in gross domestic product and, to judge by the most recent figures, financial and business services will again be a major source of growth this year.

Singapore

CHRIS SHERWELL

bank in terms of assets, suffered

the past two years but also with

the need to make increased pro-

visions, especially against loans overseas. This is in line with

the cautious and prudent policy

on these matters of the Monetary Authority of Singa-

pore, the equivalent of the central bank

Japan

JUREK MARTIN in Tokyo

devices and loan facilities.

Japan remains still, perbaps uniquely for an industrialised country of its power, a society

which prefers cash settlement and rewards industrious savers, but not as exclusively as it once did. The national savings rate

has now slipped to under 20 per cent and the concept of properly

managed personal debt is no

longer quite so alien as the age of affluence dawns.

lished Japanese trust banks

More international attention,

January's figures suggest the growth is continuing, and Singapore's "Big Four" local banks plainly hope to report better 1984 figures than they managed

in 1983.

Last year, for the second year in a row, the figures were rather lacklustre, although 1981's huge 47 per cent average growth in profits, with which comparison is inevitably made, was helped by high interest rates and inflation rates.

United Operage Rank widely

United Overseas Bank, widely regarded as the most aggressive of the banks, produced the strongest results and confirmed its position as the largest local bank in terms of attributable

However, while group net profits for the year to December climbed 9.6 per cent to SS153.8m, they included an extraordinary after-tax profit of SS15.8m on the sale of its sbares in the International Bank of Singapore (IBS). Without this, profits would have been down 1.7 per cent on 1982.

The same is true of two of the other major banks, DBS

Bank and Oversea-Chinese Banking Corporation. They also sold out their IBS stake to the fourth major, Overseas Union Bank, the first local bank takeover in

DBS Bank, the largest local

and diminution in value of other assets." This, it says, is an increase of \$\$41.9m over the

The local banks also continue to face tough competition from the Post Office Savings Bank (POSB), whose strength in the market for deposits bas always been something of an irritant because it has a special taxexempt status as a statutory body, has over 120 branches (more than any commercial bank) and operates a large net-work of automated teller

bank in terms of assets, suffered a 10.7 per cent drop in net profit if the sale was excluded from the figures, but a 1.6 per cent gain if it is included. OCBC, the most conservative of the four, explicitly chose not to include the amount in its figures and suffered a 7 per cent decline in group net profit to \$\$114.07m. As for OUB, which paid \$\$116.6m for IBS, it reported a 0.6 per cent increase in group net profits to \$\$\$52.1m. IBS Although the Government decided last year to reverse its earlier decision to convert POSB into a full commercial bank, POSB did extend its services to include the provision of current account facilities and the issue of travellers' cheques.

Controversial

net profits to \$\$52.1m. IBS itself, meanwhile, became the first local bank to go into the Tha bank may even be allowed to offer interest on its current accounts, but this has yet to be red when it reported an S\$18.1m decided and would certainly be controversial if it occurred. The banks have had to live not only with tighter margins in

POSB has meanwhile faced increased competition itself for savings from higher interest-bearing offshore and finance company accounts. Deposits in hank "autosave" accounts, offering both liquidity and interest on daily balances, also grew rapidly last year.

The next domestic develop-ment will be further progress towards the cashless society. A big step was taken last month an electronic funds transfer system to the automated clearing house set up 18 months ago.

The new system is expected to reduce the cash and cheques in circulation by allowing salary payments and debit transactions to be made automatically. An electronic funds transfer at point of sale (EFT/POS) system is also being considered by local institutions.

On the regulatory side, Singa-pore's banks are having to edjust to important changes In leading rules following the passage of amendments to the Banking Act earlier this year.

The changes tighten official controls over the banking community's ability to grant loans and credit to individuals or companies, and are designed to prevent banks becoming too vulnerable by ensuring that credit facilities are spread over a large number of persons in diversified businesses.

The key provision says that a bank shall not grant credit to any person or corporation in excess of 30 per cent of the bank's capital funds—half the previous limit.

A bank is also forbidden from The changes tighten official

previous limit.

A bank is also forbidden from granting "substantial" loans which exceed 50 per cent of its total credit facilities. A substantial loan is 15 per cent of a bank's capital funds. Worries that the regulations

might apply to foreign currency or offsbore loans were eventually dispelled by the Monetary Authority, which also said that banks which already exceeded the specified limits would have two years to comply.

Detailed figures on these pro-visions are not available, Changes in regulated regime

SINCE the war ended in 1945 the security of the Japanese (arguably the weakest link in banking system has never been in question. Indeed, it was largely because the domestic scene had become so predict.

This barrier will probably be largely because the domestic scene had become so predictable, though still profitable, that Japanese banks, always alive to the needs of their corporate clients, began their by now well-travelled Odyssey into international waters.

Now, bowever, glimmerings of change are to be seen finance is secured.

within Japan. In part, these changes have been brought about by the natural growth to maturity of the Japanese economy and the financial system which underpins it. In part they are the result of external pressure, mainly in the shape of specific requests for reform and pro-gress towards a more open market, delivered—with increasing frequency over the past nine months-by the U.S. Govern-

starting to punch a few holes in a tightly regulated financial régime famous for its ability to confine financial institutions trust banks, credit banks, securities houses, and foreign participants) into watertight compartments.

No matter what reforms it engages of its own volition or are impressed on it from the outside, it is apparent that the Japanese Government, specifically the all-powerful Ministry of Finance, will go to great lengths to ensure that the fundamental security blanket remains in place.

Yet, in looking ahead, it is not impossible to imagine some restructuring of the financial system as the barriers between sectors break down and competition becomes more wide-spread.

Such change may not be on a par with that affecting troubled industries (for example, petrochemicals) in recent years, but, by the previously inert standards of the domestic financial scene, the impact may appear substantial.

In fact, the more efficient Japanese financial institutions are not averse to the challenge of a more fluid era. The major "city" banks have now come to recognise that their neglect of the consumer finance sector— which made possible the rise of the sometimes notorious "sarakin" money-leading firms

was, in hindsight, a mistake. Now, the Japanese consumer, who once had to be satisfied with a diet of niggardly interest and free tissue paper, is being wooed by the banks with a variety of new investment

MAJOR BANKS

!	Ybn	Y b
Dai-Ichi Kongyo Bank	19,337	83.
Fuji Bank	17,664	136.
Sumitomo Bank	17,040	157.
Mitsubishi Bank	16,595	95.
Sauwa Bank	16,094	92.
Industrial Bank of Japan	14,522	103.
Mitsu Bank	12,751	67.
Tokai Bank	11,875	55.
Long Term Cred		
Bank of Japan	11,753	64.
Bank of Tokyo	10,894	50.
Taiyo Kobe Ban	k 10,09	3 4
Daiwa Bank	9,309	36.
Kyowa Bank	6,308	29.
Saitama Bank	6,064	30.
Makhaida		_

Takushoku Bank 4,625 24.3 † pre-tax recurring profits ource: Japan Economic Journal

lowered in practice, now that the principle has been resolved.

Because the Ministry of Finance is as capable as it is, it did not throw out the haby with the bathwater. It specifically excluded from trust banking the proposed combinations of joint ventures between U.S. banks and Japanese securities bouses, which, the Ministry felt, were too big an outright threat to the demarcation between banking and stock-

between banking and stock-broking:
But it was also significant that, earlier this year, the Ministry allowed Vickers da Costa, the London stockbroker, to retain its Tokyo dealing licence in spite of its takeover by Citicorp, bolding company parent of the U.S. banking glant.

laid down, the Ministry went to great lengths to avoid set-ting a precedent which other ting a precedent which other securities firms owned by banks could follow. Nonetheless, even to sanction a potential blurring of the old divisions is probably something that would not have been entertained a few years ago.

However, there are some institutional reforms which remain totally below the borizon. In spite of intermittent official insistence that the bowever, has been devoted to the structural rigidities and demarcation lines of the domestic financial system. Probdomestic financial system. Prohably the most significant sectoral development of the past year has been the Ministry of Finance's concession of this spring that foreign banks should be allowed to handle Japanese pension fund business in competition with the established Japanese trust banks

tba proposed Tokyo offshore banking facility (which could bave been modelled along London lines) seams a long way from fruition.

convinced of the virtue of controls, also remain profoundly adverse to such concepts as futures markets—though they may, intriguingly, he about to drop their previous objections to foreign exchange broking.

Since this is Japan, it must be remembered that all things are relative. Few countries possess banking systems with access to as much technological skill as Japan's yet even the basic banking technology in use world-wide is unevenly applied

bere.
Automatic cash points, for example, are kept open for only a little longer than regular banking hours (the banks blame Government regulations but do Again, in the conditions it bard for repeal) while the basic over-the-counter service pro-vided to bank customers is a monument to manual labour.

borizon. In spite of intermittent official insistence that the
asking for some time, is how
idea is still under consideration,
fast it will change.

Extensive shake-up to meet national needs

China

MARY BAKER

in Peking

past five years under

Communist Revolution, China's banking system is being completely restructured to manage the greater complexity and range of the country's international financial transactions and to meet the needs of the manage of the country's international financial transactions and to meet the needs of the manage of the country's international financial transactions and to meet the needs of the manage of the country's international financial transactions and to meet the needs of the manage of the country's international financial transactions and the needs of the needs of the country's international financial transactions. transactions and to meet the needs of its rapid economic modernisation.

Under reform plans announced late last year, a separate central bank with wide-ranging powers, has been established, a newly-structured industrial and commercial bank has been formed, and a new national banking law

is being drafted.

At the beart of the changes is the formation of the People's Bank of China as the central bank. Its charter requires it to act as the State Treasury, control the money supply, regulate all monetary organisations and formulate monetary policy for the State Council nr Cabinet.

Assets Profits
Ybn Ybn

19,337

S3.4

Cabinet.

The People's Bank's previous functions of deposit-taking, lending and casb management have been transferred to the new Industrial and Commercial past five years under the reform plans spearheaded by the Chinese leader, Deng Kiaoping.

One of the first tasks set for the new People's Bank by the State Council has been the drafting of new national banking laws, which is still under way. The laws will, among nther things, detail the broad powers vested in the People's Bank to impose economic and administrative sanctions against the specialised banks.

According to the Vice Presi-

Bank.

In the past the People's Bank operated as one of a number of largely-independent and poorly co-ordinated banks within the Chinese financial system. One of its key functions now is to regulate all the other banks—the Agricultural Bank, the People's Construction Bank the Bank of China as well as the Industrial and Commercial Bank.

The creation of the Central Bank after two years of preparation, is designed to bring much more effective central

the central bank," said Lin.

He added that the People's Bank would control between i0 and 50 per cent of national credit funds so as to regulate and balance national credit payments. Budgetary deposits of Government departments and people's organisations would be incorporated into the bank'a funds along with a proportion of the deposits of the specialised banks.

The Bank of China will

The Bank of China will remain the State agency responsible for handling international banking, foreign exchange transactions and settlement on international accounts, and the promotion of farming the promotion of the pro and the promotion of foreign exchange deposits.

The general banking reforms come at a time when the Bank of China is rapidly expanding the volume and scope of its operations.

The latest report of the Bank of China, released last month, shows that its total assets grew 16 per cent last year to Renminbi 137.9bn (about US\$65.7bn), a combined increase of about 28 per cent since 1979 when China began implementing its economic reform policies.

Bank, the People's Construction Bank, the Investment Bank and the Bank of China, as well as the Industrial and Commercial Bank.

The creation of the Central Bank. After two years of preparation, is designed to bring much more effective central control over the whole banking system and increase the sophistication of Chinese financial procedures.

The move towards established Western banking practices is in line with the country's rapid opening to foreign investment and international borrowing over the while the use of funds is sanctions.

The move towards established Western banking practices is in line with the country's rapid opening to foreign investment and international borrowing over the ment while the use of funds is sanctions.

The procedures.

Last year the Bank of China began to raise funds for and to country projects which will enhance and improve the financial circles.

Last year the Bank of China began to raise funds for and to country projects.

Last year the Bank of China began to raise funds for and to make loans to a number of big energy projects which will enhance substantially its international skills.

The Bank of China began to raise funds for and to country projects.

The Bank of China designed to counter the problems of decentralisation in greater efficiency and improve the role of the bank as an economic construction and change the present to country's ambilious modernisation programme up to the vice President of the People's Bank, Liu theory to country the changes are designed to counter the problems of decentralisation in world financial circles.

"In order to improve the role of the bank as an economic construction of the China's and improve the role of the bank as an economic construction programme up to the country's ambilious modernisation programme up to the country's ambilious modernisation programme up to the country's ambilious modernisation programme up to the problems of the country's ambilious modernisation programme up to the country's ambilious modernisation programme up to

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years experience as

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dustries, IBJ comes

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the importance of quick actions in meeting their financial needs at some



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1.

Asia/Pacific

Territory's fate after 1997: UK anticipates a 'high degree' of autonomy and minimum disruption of the present system

Leading banking centre of South-East Asia

Contract of the section of the section of the section of the

Hong Kong

CHRIS SHERWELL

in Hong Kong

for its upward revalution.
One major effect of the

deposit interest rates, cellings to most of which are set at the

retail level by a cartel of

banks. The cartel was originally

years interest rates, and thus

the cartel, became a main instrument of monetary policy.

tively ties growth of Hong Kong

dollar money supply to the territory's balance of payments

The U.S.\$/HK\$ linkage effec-

since hanknote issues depend

on the presence of foreign cur-

rency to back them, The system

depends on interest rates reflecting market forces, balanc-

ing supply and demand in Hong

SIR GEOFFREY HOWE, British Foreign Secretary, has dollar and U.S. dollar interest spelt out for Hong Kong the desired shape of its with minor deviations reflecting administration after 1997 when Britain's lease over the temporary excesses or deficiterritory expires.

British administration would end and Hong Kong would once more become a part of China, Sir Geoffrey said in April. It would, however, retain a "high degree" of autonomy within which both Britain and China would want it to maintain its present systems and way of life with the least possible disruption.

A "Communist takeover" is tha stuff of bankers' sovereign-risk nightmares. If Hong Kong were not a financial centre in its own right, but merely an agricultural or manufacturing enclave, many bankers would probably already be reducing

their loan ceilings.

It is, fortunately, the most important banking centre in South-east Asia, with over 101 foreign banks operating branch offices, and 115 more with re-presentative offices.

Hong Kong offers a liberal home to bankers, and a good lifestyle to bankers. Bankers feel comfortable. They want it to work, up to and even beyond 1997. They cherish that hope even if it defies probability. So, for the moment at least, tough talking and public optimism are the order of the day.

Argument

HKS/U.S. exchange rate link-age has been on the territory's Already, some major struc-tural changes in Hong Kong's economic and monetary systems can be directly related to the underlying shifts in political

Some analysts argue that Deng Kiaoping's "set your hearts at ease" reassurance to local hanks trying to expand Hong Kong in 1979 helped to market share, and almost going broke in the process. In recent stimulate the territory's most recent and most inflated property boom. There can be little doubt that the property market's collapse in 1982-83 was the more fierce because it coincided with the emergence of China's intention to resume sovereignty over the territory

in 1997. The "linkage" of the Hong Kong dollar to the U.S. dollar, effected last October at the rate of HK\$7.80 to the U.S.\$ became necessary when angry Peking pronouncements about Hong Koag's future promoted a "run" on the currency. Shortly before the pegging, the jittery Hong Kong dollar had touched a record low of HK\$9.50/U.S.\$, a decline in the currency of almost talk since HK\$9.50/U.S.\$, a decline in been meeting and moving value of almost half since interest rates more frequently.

January 1983.

Some analysts—particularly Mr John Greenwood of GT Management, who persuaded the Hong Kong government to adopt the U.S. dollar link—believe that even without political uncertainty the same corrective action would have been necessary sconer or later to tighten the territory's lax monetary controls.

Mr Greenwood successfully argued, in the beat of last autumn's crisis, that the Hong Kong Government should issue new banknotes only against

new banknotes only against U.S. dollar deposits at a fixed U.S. dollar deposits at fixed deposits.

Exchange rate, and offer to redeem them at the same price.

The eventual pattern is likely to be one in which Hong Kong

temporary excesses or deficiencies of liquidity with par-ticular Hong Kong hanks.

Erosion of the interest rate

Erosion of the Interest rate cartel is likely to aqueeze margins for those local banks with strong Hong Kong dollar deposit bases. For such banks, recent years have been highly profitable. In 1982, Hang Seng Bank, a retail subsidiary of the Hongkong and Shanghai Banking Corporation, made a net profit equal to 1.7 per cent of its total assets, a return roughly twice as bigh as a strong U.S. hank might achieve.

Foreign banks, meanwhile, may he able to improve their

may he able to improve their relative positions in the retail This guaranteed convertability of Hong Kong dollar banknotea would be relied upon to stabilise the exchange value of the whole Hong Kong dollar money supply.

Sir John Bremhridge, Hong Kong's Financial Secretary, was persuaded that Mr Greenwood's proposal was the hest option to save the Hong Kong dollar. In practice it has worked so flawlessly that critics who, eight months ago, thought the Hong Kong dollar was heading for oblivion are now lobbying for its upward revalution.

now Hong Kong's second-largest banking bloc after the Hongkong and Sbangai Banking Corporation itself.

Peking-affiliated trading and industrial companies, such as Everbright and China Re-sources, are becoming more active in Hong Kong and signing increasingly large contracts. Earlier this year China Resources bought a controlling stake in Conic, Hong Kong's largest electronics manufacturer. Everhright contracted to huy eight hlocks of flats for HKS1hn.

Exception

Such signs of new investments are a welcome exception to the reluctance of most investors to make large new capital commit-ments in Hong Kong, ahead of the uncertain future.

Sluggish ioan demand was a major factor in slowing 1983 net profits growth to just 5.7 per cent for the Hongkong and Shanghai Banking Corporation, Most smaller hanks reported near-static profits.

Kong dollars.

Recognising the needs of the new monetary system, the Hong Kong Association of Banks (HKAB), in which the cartel is vested, has in recent months have mosting and mosting If it were merely a slowdown in long-term lending which were Early this year prime lending prospect, most Hong Kong bankers could view the future with relative equanimity. The fear is rather of sudden sbocks. such as Jardina Matheson's re cent decision to move its domi cile to Bermuda, which could destabilise Hong Kong's mar-kets and confidence over the

next 13 years. Some financial institutions will probably diversify their business away from Hong Kong, while maintaining an office as a public sign of confidence in the territory. Tokyo will be the logical home for such emigrés, with perhaps an ASEAN repre sentative arme in Singapore.

28th Feb. 1983

9,533

13,200

9.035

15,015

537,462

407,404

588,819

Moves to mobilise domestic funds

Indonesia

KIERAN COOKE in Jakarta

BANKING IN Indonesia has tended to lag well behind the tended to lag well behind the country's dramatic economic development over the past 15 years. But, as funds from oil exports have dropped in the last three years, the government, determined to keep foreign borrowing within manageable limits, bas been putting ever increasing emphasis on the mobilisation of domestic funds. This, in turn, bas led to a

quantitative credit cellings on hank loons which had been in force for nine years; did away with ceilings on interest rates the five state banks could offer on time deposits, and exempted from tax interest earned on

In a short space of time large amounts of the Indonesian currency, the ruplah, were flowing Into the hanking system, attracted by interest rates of up to 18 per cent. By the end of 1983 time deposit at state hanks 1983 time deposit at state hanks increased by nearly 90 per cent and it is estimated that well over \$2hn of funds, some of which had gone offahore in the days preceding a 27 per cent devaluation of the ruplah early last year, had been injected into the hanks.

So successful have the new So successful have the new measures been that there la now

concern that the system is over-liquid and through using a number of financiat instruments, Bank Indonesia is making efforts to lower tha interest rate enorts to lower tha interest rate to promote greater borrowing. But Bank Indonesia not only sought to attract funds back into the doniestic banking system, it also wanted to creata a more competitive dynamic a more competitive, dynamic and modern banking structure. Five state banks have dominated the system through the

years, accounting for more than 80 per cent of total banking business. The remainder is split between 70 private banks and 11 foreign ones—the latter restricted to the Jakarta metropolitan area.

Over-protected, the state banks had become pondarous bureaucratic institutions. At one stroke the new measures forced the state banks to become more aggressive and competitive in a new open market. While they have succeeded in the state bank are succeede bureaucratic institutions. At one stroke the new measures forced the state banks to become more aggressive and competitive in a new open market. While they have succeeded in attracting e large increase in time deposits, there is evidence that credit has not expanded

Big rise

In the last six months of In the last six months of 1983, while state banks deposits nearly doubled, lending went up by only 11 per cent. Private and foreign banks, less bureaucratic, and more equipped to deal in a highly-competitive system, have seen their lending volume rise substantiatly in the same period.

However, there are signs that the state hanks are becoming more independent and adapting to the new climate. A number of them bave signed agreements with foreign banks to mechanise and improve their services. services. French institutions bave been particularly favoured.

The biggest of the state banks is Bank Negara Indonesia 1946 (BNI 1946) with total assets at

months of 1983.

Five banks dominate the private sector, of which some, such as Panin Bank and Bank Central Asia, show increasing signs of challenging the positions of the smaller state banks. It is generally felt that the government wants to see the number of private banks reduced from the present 70 to about 25. This sector is fiercely about 25. This sector is fiercely duced land competitive and one banker facilities at said that at the moment private certificates.

Foreign banks have steadily increased their business along with the growth of the Indonesian economy, and while they would like to expand their operations outside Jakarta, they are pleased with recent developments. They see Bank Indonesia playing a less protective role while generally assuming a more positive position in overall management of the system. This became particularly evident earlier this year when it introduced lander of last resort facilities and Bank Indonesia certificates.

TIME DEPOSITS WITH INDONESIAN STATE BANKS (Ruplah bn)					
3 months	6 months	12 months	24 months		
8.1 129.6 200.0 262.7 297.7 399.5 465.8 499.1	26.9 119.3 142.8 200.3 210.4 327.4 344.5 298.6 315.5 291.5	41.2 111.9 217.9 352.7 417.0 480.3 683.6 837.9 297.0 980.9	835.6 763.2 726.4 684.1 655.8 431.3 599.8 538.7 511.6 517.9		
	3 months 3.1 129.6 200.0 262.7 297.7 390.5 465.8 499.1	8.1 26.9 129.6 119.3 200.0 142.8 262.7 200.3 297.7 210.4 390.5 327.4 465.8 344.5 499.1 298.6	8.1 26.9 41.2 129.6 119.3 111.9 200.0 142.8 217.9 262.7 200.3 352.7 297.7 210.4 417.0 390.5 327.4 480.3 465.8 344.5 633.6 499.1 298.6 837.9 447.8 315.5 897.0		

under increasing scrutiny come Banks

MALAYSIAN BANKS are banks with small branch netcoming under increasing works that are most guilty of
scrutiny and criticism in their this practice, with some paying
borrowing and lending, following reports of buoyant profits.

Even in the depressed years
of 1980-83, when earnings of
most Malaysia companies feil.

hanks with small branch netmort guilty of
this practice, with some paying
interest as low as 5 per cent
when their lending rates could
be as high as 14 per cent.

For finance companies, many of 1930-83, when earnings of most Malsysia companies feil, the hanks and other financial institutions were attill able to report profit growth exceeding 25 per cent annually.

According to Bank Negara.

the Central Bank, the secret of such success is neither any great increase in productivity nor husiness innovation by Malaysian banks, which remain among the most conservative in Malaysian business.

Rather, the hanks have taken advantage of their freedom to determine interest rates.

Bank Negara did a survey and found that the difference and found that the difference lending.

between the average lending rate and the average cost of deposit funds for banks in 1982 was 4.8 per cent, which was already considered high. But this margin widened to 5 per cent last year.

Apparently, it is the foreign about the decline in savings.

of which are owned by the banks, this gross margin was even wider, increasing from 5.24 per cent in 1983,

cent in 1983.

The Central Bank says such margins are too high to be good for the national economy, which is beginning to recover from the recession. It feels banks should play their role in this recovery by judicious application of interest rates to encourage sayings and expand produc-

age savings and expand produc-tiva capacity.

Expanding on the Central Bank's concern, the infinential Consumers Association of Penang argues that depositors could be losing out by as much as 316m ringgit last year, due to the widening of the deposit/ lending rates.

Bank Negara is also worried

Malaysia

WONG SULONG in Kuala Lumpur

These bays fallen from 29,2 per cent of gross national product between 1976 to 1980, to a low

of 22.8 per cent last year. Following numerous plaints from the public, the Central Bank last year applied pressure on banks to he less arbitrary in fixing their lending

rates.
The Government following this up last November by introducing the hase lending rate all banks.

The BLR is to reflect the true cost of funds and banks are allowed to charge a margin on the BLR, depending on tha status of their clients.
Adjustments to lending rates are only allowed if there are

movements in the BLR of the individual banks.

per cent.
It is too early to gauga the effectiveness of the BLR, although there are indications licence. that banks are slowly moving their deposit rates up, while lending rates have stabilised. Another area of concern is the heavy bank lending to the property sector, particularly office development in Kuala Lumpur, where signs of a glut are very evident. By 1986, it is estimated there could be an

estimated there could be an excess of 3m sq ft of office space in the capital.

Bank Negara is worried that with declining rentals and property values, some hanks could be exposed, and this could trigger off a crisis.

Further lending to office de-

Further lending to office development is therefore dis-On the whole, Malaysian

banks have undergone rapid ex-pansion during the past decade, and this expansion is expected to continue.

acquisitions,

The BLR of Bank Bumiputra and Malayan Banking, tha two largest banks, is pegged at 10 bank restructuring will feature porate groups, as well as foreign bank restructuring will feature prominently in the coming

However, no new bank licence is expected to be given ont. There are now 22 local and 16 foreign banks in Malaysia and this is considered to be more than advance.

sia and this is considered to be more than adequate.

The paid-up capital and reserves of local banks rose strongly by 50 per cent to nearly 3hn ringgit at the end of 1983, after a 25 per cent increase to 2bn ringgit in 1982,

No other Malaysian corporate sector has grown as fast, prompting a banker to admit that "banking is the best business in Malaysia today,"
Malayan banking is the latest bank to go to its shareholders

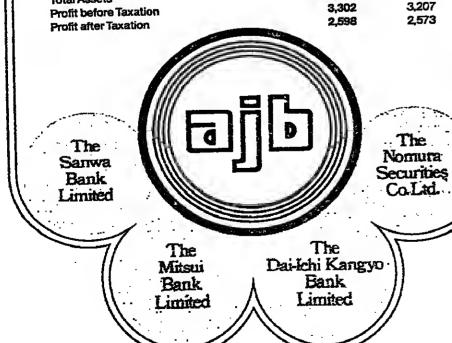
for more money for expansion.

It is seeking a record 630m ringgit through a rights issue and a convertible loan stock. Part of this money will go to finance its 250m ringgit, 58-storey headquarters, which will be Kuala Lumpur's tallest building when ready in 1986.

Associated Japanese Bank (International)Limited

Extract from Audited Accounts 29th Feb. 1934

14.800 **Share Capital Retained Profit** 15,257 Subordinated Loans (£ equivalant) 542.977 Deposits 381,931 Loans 595,844 **Total Assets**



An International Constitutin Bank (Shareholders' aggregate assets well exceeding U.S. \$218 billion)
Associated Japanese Bank (International) Limited
29-30 Comhill, London EC3V 30A Tel: 01-623 5661.Talex: 883661

ne State Bank ıstralia

It's worth remembering if you're planning to do business in New South Wales, Australia.

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State Bank of New South Wales, New York Branch: 529 Filth Avenue, (at 44th Street) New York, NY 10017, Telephone: (212) 6821300, Telex: 429964. State Bank of New South Wales, State Bank Chambers, 14-16 York Street, Sydney, New South Wales, 2000, Australia. Telephone: (02) 2660211. Telex: AA21550.

Call for stringent policy to keep monetary expansion in check

Pakistan

MOHAMMED AFTAS in Islamabad

THE PRESENT pro-business Government in Pakistan in-herited "a socialised economy," but it knows that money is a many-splendoured thing. It specially rings true because it owns the entire banking system, the basic industry and infra-structure, and dominates the foreign sector—plus exercising a tight regulation of the

That, also, is the key to a the monetary expansion to a control over the commercial

the banking system for a \$50n to \$60n a year deficit financing, as well as to ration advances to private business, while it treats its own vast public sector,

favourably.
Since 1982-83, the monetary expansion (of 26 per cent) pushed inflation to an annual 20 per cent, according to Independent economists, while the Government admits only to a Nabi Kazi Is urging the Government to follow a stringent fiscal as its calculations are on an and monetary policy in order inadequate and faulty cost of to "keep mouetary expansion in living index."

The Government attributes

LOANS AND ADVANCES TO CUSTOMERS 1.517.0

(of which 4.9 billion went to charities and the support

INTERBANK DEPOSITS AND INVESTMENTS

IN FINANCIAL INSTRUMENTS 2,883.0

BANK ESTABLISHED 1846 IN GENOA (ITALY)

Balance sheet summary

CAPITAL AND RESERVES 286.5

TOTAL DEPOSITS 4,428.0

PROFITS OF THE YEAR 10.7

You've been thinking about it. Is there

It costs nothing to consult is Bank. is, by the way, is pronounced 'ish' as in Turkish, and our name can be translated literally as 'business'. We are by far the largest bank in the private sector. Both in assets, and in number of

perhaps some opportunity? Ask. Ask us.

branches. Our experience covers not only foreign trade but, as the country's largest shareholder, we are intimately concerned in

Ask. We will give you straight, and informed, answers. And since our very name means 'business', the answers will be business-

many industrial fields.

of social activities)

as at December 31, 1983 (in billion Lire)

Cassa di Risparmio

di Genova e Imperia

The Government's absolute

record 28 per cent monetary build up of foreign exchange expansion in Pakistan last year. reserves to \$1.704bn as of late It was double tha 1981-82 rate. April, 1984—double the level The Government is utilising reached two years ago. But en analysis of Government

spending shows that the administration itself is responsible for creating this situation. Its direct spending ln 1982-83 was Rs 9.3bn (\$0.68bn), and snother \$4.3bn through the state-sector enterprises. It was followed by the foreign and private sectors.
The State bank (central bank)
governmr, Mr Aftab Ghulam
Nabi Kazi ls urging the Govern-

DECADE OF BANKING GROWTH Figures in Rs m. 1974 Total money supply (monetary assets); 28,000 18,397 100.258 State of monetisation (GNP divided 34.541% by money supply): Banking hablt (ratio of money 27.45% to GNP1: 22.97% Banking development (ratio of deposits to total money supply):

banks dates back to their January 1, 1974, nationalisation by the then Prime Minister Zulfikar Ali Bhutto. All the Pakinstani banks then came under Government ownership. They were later organised into five banks—Hahib, National, United, Muslim and Allied. Over the last ten years, the Government-owned banks have

reflected a considerable quanti-tative growth. It was partly spurred by inflation. The five nationalised banks now operate 6,792 branches all over Pakistan, and another 176

The per capita income in the country, and the deposits have more than tripled over the last decade, and are keeping in step with each other. The current per capita income is Rs 4.176, while the deposit (per person) is Rs 1,432.

Low savings

The bank operations continue to suffer from a low level of saving, in a society which is still quite poor, and still speeding around 85 per cent of all income on current consumption.

Pakistan banking growth, over occording to the state bank, or a calendar year basis, is seen in the table above.

An analysis of commercial banks' operations shows that 36.8 per cent of their advances are extended to manufacturing, 28 per cent to the trade, 15 per cent to services, 6.5 per cent to agriculture, 3 per cent to construction, and approximately 11 per cent to other smaller

According to the annual reports of the individual banks banks. for the year ended December 31, 1983, the overall deposits Two rose 36.4 per cent to Rs 159,7bm

But, the growth in 1983 did not match the proportional in-crease in the capital base of the banks, which meant that the capital-to-deposit ratio was around 2.8 per cent.

A healthy feature of the

65.70% 68.65% Hahih Vational year's operations was that the United bank reserves rose to Rs 895m. 15,705 10,246 which means 68 per cent over the previous year, while their equity rose to Rs. 4.5bn, or 28.5

per cent compared to 1982. All the nationalised banks put together, increased their pre-tax profits by 26 per cent over 1982. Mr M. R. Khan, chairman of the Pakistan Bank-ing Council (PBC) which oversees all the nationalised banks on behalf of the Government, says that "an improvement in profits took place inspite of sufficient provisions to write off doubtful and bad advances."

Mr Khan says, the PBC is now closely scrutinising the assets portfolios of the banks, and is asking them to provide adequata reserves to cover losses and contingencies.

The hanks expanded their advances to Raylin, or 11.7 per cent during 1983. A key element of the lending policy was to provide the working capital and term financing of small industrial units, small husiness, farming, as well as improve their operations—and medium and large industry, seeing no improvement over

under government prodding.

Deposits Advances ment 54,967 31,635 18,121 40,611 18,990 9,963 36,809 22,889 7,564 9,063 7,564

6,87 5,108 1,746

As the Government and the central bank though belatedly, are asking the commercial banks to restrain advances, the latter complain that they are baving to maintain large liquid cash because of the contrac-tionary credit policy. It cuts into their profits.

The balance sheet analysis of these banks also indicates than the overall rate nt increase in the pre-tax profits is slowing down; the expenditure on overheads, personnel and perks is rising; and losses on account of bad debts, outright frauds by the employees in Pakistani and overseas branches is sharply up.

PBC officials say that around 38,000 lawsuits are pending in courts across the country, for recovery of bank advances, while an additional 10,000 to 11,000 cases are to be brought

After urging the banks to

private business "continues to of banks (special court's) ordi-remain starved of commercial nance 1984." The law is his remain starved of commercial nance 1964." The law is his credit," while the managements are providing funds more funds more casily to the state organisation.

A sunny spot in Pakistan's money business, bowever, is the nationalised banks' profit and loss sharing (PLS) operations during year ended accounts or Islamic banking, December 31 1983, in Rs m which President Zia introduced which President Zia Introduced on January 1 1981. Thesa accounts, operating in the same

bank branches which offer the traditional, interest - based, Western-style facilities, are pouring into the nationalised banks at the rate of Rs136m a week. From a zero on January 1 1981, the deposits in the PIS 1981, the deposits in the PLS accounts. as on December 31 1983 boomed to Rs19.9bn, says Mr M. R. Khan.

Variation

He also feels satisfied that, with a rapid growth in Islamic accounts, their share in the banks' total return, or interest-bearing deposits, increased from around 12 per cent in 1981 to 23 per cenr by the end of 1983.

The rate of annual profit on these accounts for 1983 was between 7 and 8.5 per cent. The variation reflects the varying overbeads, and profit earnings by the banks through their own investment, and portfolio

Such variations are allowed by Government. This rate of profit, though still around 1 per cent a year bigher than tha These difficulties apayields available on interest. Government and the bearing deposits, is slowly bank are committed to we declining, because of rising foreign private banks,

Pakistan's foreign trade, especially imports, are handled oy major British, European, American and Middle East banks, who operate several dozen branches. They also provide a very efficient retail banking service. Each new foreign bank, wishing to do business in Pakistan, is permitted to open only up to three branches, so that the business stays with the local banks.

Confined to major cities only. such banks are unable to collect large deposits, because blg city customers are interested more in obtaining advances, rather than putting their money in deposit

The foreign banks make a muled criticism of the Fakisteni authorities, on several scores. These include a bureaucratically-long process of permitting them to remit their net profit, lack of competition as a result of excessive regulation of the banking system, and a sticky interest rete which has remained unchanged for the past eight years, inspite of a high inflation rate.

These banks have also com-These banks have also com-plained about foreign exchange (FXI) operations. They point out that TT. OD and BC rates are dally issued by tha central bank, which they feel is "con-fusing." They will want to have a median rate for FX, permitting flexibility over a fixed band, over or under the median.

These difficulties apart, the Government and the central bank are committed to welcome says a banker. But, the Federaseveral years, President Gen bank overbeads, and saturation stand to gain good business, as tion of Pakistan Chambers of Zia ul Haq decreed a new of the Government-approved the economy is likely to grow (FPCCI), maintains that called "the offences in respect Islamic deposits can be invested.

A slow-down in bank credit puts squeeze on profitability

A SIX per cent surge in India's Gross National Product ratio of banks in stages by a overall trend of blch interest last year, after a drop in the previous year, did not reflect in a sharp increase of business for commercial

Two issues dominated Indian banking last year, First, the Reserve Bank of India (RBI) was keen on bolding back expansion in money supply and domestic credit within the conditionality of the International Monetary Fund SDR 5nn loan. The Indian Government bad agreed to a celling of 15 per cent for growth in broad money (M3) and 17.6 per cent for domestic credit

for the year to March, 1984. Commercial banks bad lent more than Rs 10bn between June and December, 1983 for

foodgrains stockpiling. The axe had fallen on loans to other sectors to keep the overall steel and automotive industries,

prices after the bumper structure which harvest was rather weak and Reserve Bank, the nptrend was resumed even Having reduc

India R. C. MURTHY in...Bombay

the-line cut in interest rates on bank loans early last year to give stimulus to the Indian economy.

The marginal rate of 19.5 per cent interest charged to certain corporate borrowers was reduced to 18 per cent. The policy of liberalisation had to slde to slow down bank credit be balted midway and priority acceleration resulted in a given for counter inflatiooary measures.

made this task easy for the RBL interest rates on loans to curb loans narrowed the spread bemand for bank credit effective demand for bank between the average cost of lessened from sectors such as funds. In India, the instrument of loans.

were frozen.

The deposits growth of commercial banks, 95 per cent (by assets) of which is Government to Rs 997.44bn in 1983. The share of time deposits in jour bank deposits increased spurred by high interest rates. This by high interest rates. This pushed up the cost of funds for banks.

The emphasis on the supply. acceleration resulted in a squeeze on profitability of banks.

deposits and average return on

steel and automotive industries, which had much spare capacity. Secondly, inflation returned to the Indian economy with a bang last year. The Government's economic survey for 1983-84 says the decline in prices after the bumper baryest was rather weak and subsidies fixed by the capital.

In India, the instrument of loans. There are two other factors to a steady decline in profitability. Banks are under pressure from the Government. Also, market forces do not of the control of the instrument of loans. There are two other factors to a steady decline in profitability. Banks are under pressure from the Government. Also, market forces do not reflect this disbanks do not reflect this disbanks do not reflect this disbanks are under pointing to a steady decline in profitability. Banks are under pressure from the Government of loans.

First, foreign exchango business is highly profitable, to tift lending to less-profitable, but socially desirable, "priority sectors"—agriculture and rural development—to 40 per cent of the profitable and subsidises do not reflect this disbanks are under pointing to a steady decline in profitability. Banks are under pressure from the Government to lift lending to less-profitable, but socially desirable, "priority sectors"—agriculture and rural development—to 40 per cent of the profitable and subsidises do not reflect this disbanks are under pointing to a steady decline in profitability. Banks are under pressure from the Government to lift lending to less-profitable, but socially desirable, "priority sectors"—agriculture and rural development—to 40 per cent of the profitable and subsidises do not reflect this disbanks are under profitable. First, foreign exchange to business is highly profitable. Every Indian bank is keen on determined to a steady decline in profitable, but so socially desirable, "priority sectors"—agriculture and rural development—to 40 per cent of the profitable.

combined 1.5 percentage point rates to lift domestic savings, to 8.5 per cent of bank deposits. which were at the peak of Besides, it impounded 10 per 22.3 per cent of GDP last year, cent of deposit growth late last Distortions are seen in the year to siphon off excess liquidity with banks.

In all, Rs 22bn out of raised 1.5 percentage point to Rs 76.67bn deposits mobilised by banks in calendar year 1983, was to facilitate the corporate structure after the composite seven-year debenture rate was to facilitate the corporate by banks in calendar year 1983,

Comment

Mr B. V. Sonalker, chalrman of Indian Banks' Association, says there was a diversion of funds (from the banking system), which depressed bank domestic credit within the IMF

But the anti-inflationary nack

Apart from resources freeze, "Reduced offtake of bank loans ceiling. Industrial recession age could not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on by the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in interest rates on the corporate sector would not include a lift in the drop in the corporate sector would not include a lift in the drop in the corporate sector would not include a lift in the drop in the corporate sector would not include a lift in the drop in the sector would not include a lift in the drop in the sector would not include a lift in the drop in the sector would not include a lift profitability. mean loss on highly profitable business," he says.

But the annual reports of

prices after the bumper harvest was rather weak and the nptrend was resumed even before the onset of the lean season.

The donbit-digit inflation upset the process of selective reflation heralded by a down-

Mood of deep anxiety over foreign exchange famine

Philippines

EMILIA TAGAZA in Manila

UNLIKE MOST other economic activities in the Philippines, commercial banking remained profitable in 1983, the worst post-war year for the national economy.

There was a continuation of the profitable operations in the first quarter of this year; yet the prevailing mood among com-mercial banks is one of deep auxiety, presumably on the realisation that the unique earnings performance was aided by extraordinary factors which may not always be present in

their nperations.

The banks know the money they have made and expect to make can be wiped out if, as now seems likely, the present severe foreign exchange famine leads to more and bigger corporate bankruptcies.

Danger of collapse

companies in danger of business. The Government has set at 20 per cent the maximum ratio of bad loans to total loan portfollo. Some banks are known to have a ratio of up to 50 per cent.

The local currency is expected to be devalued again this year. Silverio Group National Bank to the same windfall as last Pillpinas Bank. Pillpinas Bank cent. business. The Government has portfolic. Some banks are known to the same windfall as last potentially bad loans, there is cause for grave concern. Of the the same windfall as last permission of the same windfall as last pillpinas Bank.

Pillpinas Bank.

Pillpinas Bank.

Pillpinas Bank has been given and copper mine and mills nickel mine—refinery and copper mine and copper mine and copper mine and mills nickel mine—refinery and

per annum on savings deposits and between 12 and 14 per cent on time deposits, whereas they charge between 18 and 25 per cent on loans. One has to be a prime borrower to be entitled to the lower charge to the lower charge. But even with an average spread of 10 per cent, commer-

cial banks could not have earned as much as they did last Many of the banks are saddied with slow-moving and nonmoving accounts, including
those of financially-troubled
companies in danger of collapcompanies in danger of collapcolla

late there has been an increase then the rules have been in tha number not only of borchanged so that devaluation pro-rowers falling behind schedule fits will be reduced.

Forecast

Banks sell a commodity—
money— which is very much
in demand whether in a recession. inflation or stagglation.
They also pay only 9 per cent
allocating machinery will remain in place after next December. Even without foreign December. Even without foreign exchange-related gains, Commerce Bank of Manila increased its net income in this year's first quarter, while Pilipinas Bank made a turnround to a net income from a provious net loss.

But the results can be compered to the biggest danger to viability.

For example, Delta Motor Corporation, which has stopped its car and truck assembly, carnot pay debts of at least 1,600m persos. The troubled Basay Mining Corporation owed various conditions namedy state.

But the results can be considered deceptive, because both nands from the Hrdis group to the Government Service in surance system in the case of Commerce Bank, and from the Silverio Group to Philippine National Bank in the case of Pillpinas Bank.

Pillpinas Bank has been cash added. have the advantage of relatively sheap sourcing of funds. Majority ownership has changed

in their payments but also of those not paying at all. As a result banks tend to emphasise collection and not the extension of loans.

Last year commercial banks receipts which are coursed through banks and derived from export and service transactions. These receipts which are in the red, assuming proper management, even under conditions which are bad for almost everybody.

Last December, after CB infits will be reduced.

Under trade and exchange reserves against deposit and deposit substitute liabilities. Inter-bank rates soared, to 55 virtually confiscates all foreign exchange receipts which are coursed through banks and derived from export and service transactions. These receipts so into a dollar pool from which CB allocates dollars for payment of selected imports and for servicing certain foreign loan obligations.

Last December, after CB infits will be reduced.

Inter-bank rates soared, to 55 ourselves all foreign per cent at one time, from an average of below 10 per cent until last March. The following into a dollar pool from which cB allocates dollars for payment of selected imports and for service transactions.

Foreign fits will be reduced.

load for overnight money is not the worst of the banks' worries. By slowing down on lending they can correct reserve deficiencies, as happened early this year. The greater concern is over basi and potentially bad accounts, which are the biggest

various creditors, namely state-owned banks, as much as

Head Office Ankara, Turkey Head Office-Foreign Department Voyoods Cad. 27, Istanbul Tel. (1) 143 30 00 Teles: 24169 (1) 145 30 00 Teles: 24169 (1) 20 635 (1) 20 635 (1) 24 24 24 25 25 (1) 25 25 25 (1) 25 25 (

Admission of foreign institutions still poses a thorny problem

Australia

MICHAEL THOMPSON-NOEL in Sydney

AUSTRALIAN banks are moving from an era of protection and control to a freet and more open financial environment.

The forerumers of this change in Government thinking —the floating of the Australian dollar and a freeing of the exdollar and a freeing of the exchange controls—were introduced late last year, while the hard facts of a breaking of the banks' monopoly on foreign exchange dealing and the lifting of restrictions on the term of deposits which they can accept will be a reality by August I.

The real test to be posed by

The real test, to be posed by the introduction of foreign banks on fully competitive terms, remains stalled until the July conference of the ruling Labor party determine whether new entrants prova acceptable to the more sceptical wings of

the party. In the interim, the granting of new foreign exchange trading licences (almost 40 applications have been received by the Reserve Bank) is expected to meet the wishes of many of the foreign banking groups which have established merchant banking or other non-bank financial operations in Australia.

If this is tied in with the development of offshore bank-ing centres in Australia, the

Credi

demand for domestic banking anthorities is expected to become less sharp. The offshore deal is subject

The offshore deal is subject to Parliamentary working party scrutiny as well as study by senior Government departments to determine the blend of benefits and sacrifice, although it retains considerable support at the political and banking industry level.

Meanwhile, the introduction of foreign banks as full competitors in the Australian market remains a thorny question despite the support it has from the Treasurer, Mr Paul Keating, who sees the need for the new found freedoms for the existing banks to be balanced by the admission of new players.

While numbering a dozen While numbering a dozen, the banks boil down to a Big Four—Westpac, ANZ, National, and Commonwealth—although the state government-owned banks are trying to develop as more dynamic forces in both the domestic and international markets. There they gain by the almost sovereign status they hold through their Government parentage.

Big banks in favour

The major banks favour the introduction of foreign banks as branches of the international parent rather than as modestly-capitalised local subsidiaries with partners of less than prime standing in banking terms keep-ing one eye on international reciprocity and the other on the need for complete trust in inter-bank dealings.

banks among sections of the Labor Party as well as Treasury concern over its ability to monitor and control monetary flows should it bold no direct power over the new hank entrants.

Thesa conflicts between the ideal in terms of competition and prudential standards and, on the other hand, the political and bureaucratic pressures suggest that an answer will not be found immediately.

Meanwhile, even without the foreign threat, greater local competition is sure to evolve as the major life office and superannuation institutions push for an increasing share of the financial markets. The Australian Mutual Provident Society, the largest local institution, plans to team with an unnamed commercial bank to form a full-service domestic

equity involvements and strong relationships with almost all Australia's leading companies and a merchant bank offshoot.

On the other hand the mercompetitive ability through the loss of their near-monopoly of

Acting against this is the ing rules which limit individual suspicion of the international shareholdings to 10 per cent. shareholdings to 10 per cent.
Macquarla will have only a
relatively modest capital base
and will be seeking to employ
its innovative skills to generate
fees from the merchant and investment banking areas. It will also bring the funding advant-age it enjoys as a result of the ultimate backing of the Central Bank into play where necessary.

Commercial lending

As such, it will pose no great threat to the hig banks in the more straightforward areas of commercial lending. Meanwhile, despite past restrictions or growth in credit and limits or maturity of deposits and in-terest charges, the banks have maintained a relatively steady 38 per cent of the assets of fin-ancial institutions in the past five years.
From this unique

From this unique position they are preparing for domestic competition by moving rapidly in the development of elec-tronic funds The AMP has a formidable base of 2m policyholders, a loan portfolio of around A\$2bn plus country involvements and strong as well as new products in the funds management area, to boost business and margins through their branch networks.
At the same time, the preschant banking groups, already sure for international business facing a contraction in their remains strong as the major banks accept that any further growth will have to come from the short-term money markets, ontside Australia. Their own face a further threat with the reshaping of Hill Samnel Anstralia into Macquarie Bank, trants to the banking scene and the range of consumer-level property of the range of the range of consumer-level property of the range o

Tough regulations to restrict lending and credit facilities

Government controls bite harder

New Zealand

DAI HAYWARD in Auckland

NEW ZEALAND banks now operate under greater controls, restrictions, regulations, and government interference than they did even in the regulated conditions of the early 1970s.

Tough government regulations are aimed at achieving two results—to restrict lending and credit and at the same time

and credit and at the same time to bring down interest rates.

Bankers say these two objectives are contradictory and unwork as ble, but Sir Robert Muldoon, Prime Minister and Finance Minister, insists that the banks try to achieve this.

Harsh penalties have been imposed on banks and finance houses which fail to meet the government's tough require-

First, there were curbs and limits on interest rates. Home mortgage interest rates were arbitrarily reduced from 18 per cent or higher for first mort-gages to 11 per cent for first and 14 per cent for second or sub-

14 per cent for second or sub-sequent mortgages.

The new rates originally ap-plied to new mortgages, but as soon as the dust settled the Government put pressure on official lending institutions to extend home mortgages. One result is that the flow of finance into the house mortgage market, through banks and other lending institutions, bas all but dried up.

Now the Government wants

to restrict the level of lending and also reduce interest rates

mme

and also reduce interest rates on other lending.

To control the limit of bank lending the Government bas introduced several restrictions over the banking system. Banks and finance bouses are required to carry e substantial proportion of their reserve assets in Government stock. This proportion has been regularly increased over the past 12 months. The banks are also limited in the expansion of their level of lending to 1 per cent per month. This is not cumulative and banks which exceed the limit in

one month cannot even up by keeping under the maximum the

Reserve asset ratio Earlier this year, when banks exceeded their 1 per cent increase in lending, the Ministry of Finance punished them by increasing the reserve the safet ratio. At one stage this reached

Bankers say the ratio has actually been set at a higher amount than their cash reserves. and banks have been forced to borrow from the Reserve Bank so as to have enough funds to invest in Government stock.

Merchant banks and finance houses face the same restric-tions. Some of the finance houses which ignored the Government's guidelines on lending incurred the wrath of the Prime Minister in early May. He increased tha amount the offenders had to place into Government stock by the amount they had gone over the 1 per cent limit—and made this

fail to put the required amount of funds into Government stock. The trading banks have protested to Sir Robert and to the Reserve Bank, but without

Behind the Government's institutions are desperate to get infertible attitude are two political factors. The first is the massive Government budget is said they are finding ways deficit of just under NZ\$3bn, which is difficult, if not impossible, to control. The second is the looming November election and Sir Robert Muldoon's desire to present to the electorate an economic picture of falling inflation and lower institutions are desperate to get money to meet their reserve m falling inflation and lower

If the volume of lending is reduced interest rates tend to rise. If interest rates are forced down there is a greater demand for cheaper finance for development and investment. Several bankers are becoming extremely outspoken both at the inconsistencies inherent in the Government controls and the ill effects they cause.

in the Government condons and the ill effects they cause.

Among the comments made by prominent senior bankers have been "it's a vicious system," "a very unhappy scene," "a nonsense," and scene," "a "frightening."

interest rates.
Sir Robert wants a low interest Deposits of more than regime by November; he also NZ\$500,000 fall into the com-

wants to prevent inflation, which has been forced down from the levels of 15-18 per cent a little over a year ago to the current 3-4 per cent, from rising again. The bankers are caught in a two way squeeze.

If the volume of lending is reduced interest rates tend to

Leading bankers claim that steadily increasing. A new mer there is widespread evasion of chant bank can avoid Govern Government controls, although of course, every trading bank denies that it is involved in any such manoeuvres. But some the Government's institutions are desperate to get

Special rates

wants to prevent inflation, which mercial area. Such sums are not so effectively controlled and can attract special rates. Now, however, sums as small as NZ\$50,000 are attracting special rates from finance houses which must find capital to meet their obligations.
The latest threat to the bank-

ing community is for across-the-board interest rates on all sums limited to 14 per cent for trad-ing banks and 17 per cent for non-bankers. Privately, bankers are forecasting that in June interest rates will rise as insti-tutions have to borrow to meet their Government obligations.
"There is no way we can borrow at 14 per cent and lend at
14 per cent," said one banking

ceived the foreign exchange dealer licences they so eagerly sought. This, too, has encour-aged the setting up of new merchant banks.
The corrent crop of controls began in 1981 and have steadily become more severe. The 1982 Budget said that the control was beaten. Bankers point out

under bank-

that now the Government claims to have reduced inflation dramatically tha controls are worse than ever. Trading banks are also unhappy because they are losing husiness to fringe financial who have stepped up their institutions, such as lawyers bouse mortgage lending, and to

ment regulations on the level of lending because it has no previous record. For the first 12 months it is not limited to the

1 per cent increase allowed other banks because there is no

previous year's measure of its

Merchant banks recently re-

performan

merchant banks. Bankers are privately forecasting serious problems for the New Zealand economy as a result of some of today's financial policies. They say the Government is developing frightening contingent liabiliconomist.

The number of merchant in the future. We are, said one, anks in New Zealand is "passing the bill to the succession."

Plan to increase efficiency bound to cause friction

THE SOUTH KOREAN banking foreign banks will gradually be system is about to undergo changes that the Ministry of Finance bopes will both raise the efficiency of domestic banks as well as answer foreign banks attempts to achieve equal standing with Sonth Korean banks.

The two-edged policy starts this year and continues until 1986 as foreign banks are gradually allowed to enter markets formerly the preserve of domestic banks. Against Increasing competition, the Korean banks are expected to modernise their management and operations more quickly than in the past.

As a first step in mid-May.

As a first step in mid-May.

ANN CHARTERS

than in the past.

As a first step in mid-May, members of the banking industry were reorganised into a new associetion named the Federation of Korean Banks. The chairman, Mr Kim Joon-Sung, as e former Deputy Prime Minister and Minister of Economic Planning as well as a former Governor of the Central Bank, brings impressive evadoutials to the job. Bank, brings improved credentials to the job.

The exact role of the federa-tion during the structural changes planned for the bankchanges planned for the banking system is still unclear, however. The previous banking
association had little to do with
determining policy but it did
set fees and commissions for
various banking operations.

Although foreign hanks will

Others, including academics,
contend that liberalization is in

be invited to join as associate members, ostensibly to protect their interests, their non-voting status may present difficulties.

The Ministry of Finance's 25-

But they will probably be required to make some loans to areas the government wants to encourage, such as small and medium industries or joint ven-

Reforms in the banking sys-tem are bound to cause friction. Because the Government re-turned the last of the first large South Korean commercial banks to private bands only last year,

executive director of the American Chamber of Com-mers, Mr Brick Krause, bes said that "if the changes can be instituted they will have an electrifying effect on the banking system."

The U.S. banks have led the push for "national treatment," eliciting such high-level support as Secretary of the Treasury, Donald Regan and other officials in their bid to compete on an equal footing with South Korean

The Ministry of Finance regards the latest policy as part of the continuing restructuring of the financial sector which began several years ago. The changes have not stopped at commercial banking but affect non-banking as well. New joint-venture banks, short-term finance companies and mutual savings and loan companies sprang up as entry requirements

were modified. The distinctions between financial institutions are becoming somewhat blurred as securities firms participate in money mar-ket activities and commercial banks set up trust deposits and investment trusts and engage in

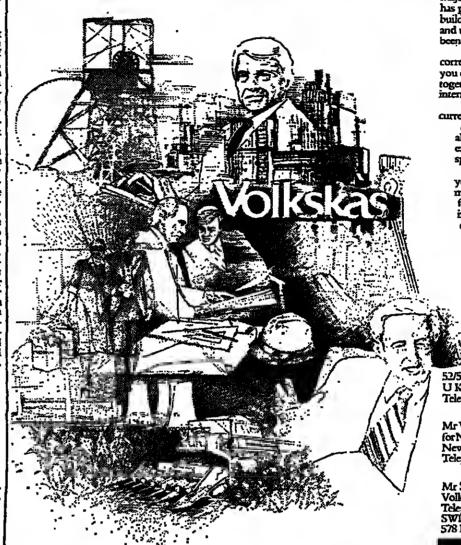
Future targets for reform include interest rates which, according to the Finance Ministry, will eventually be governed by market forces.

contend that liberalisation is inevitable, so it is better to proceed before the domestic banks
fall further behind in adopting
modern techniques.

There is little doubt and the solution of the continues to slow down. Other changes January.

Offenders also face a penalty of NZ\$10,000 for each day they of NZ\$10,000 for each

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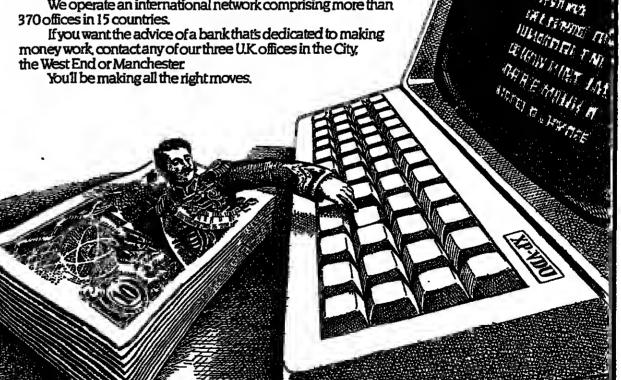
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WORLD BANKING 30

Governments in Latin American countries are still struggling with turbulent conditions in the domestic banking sector, as FT correspondents report here and on the following page

Austerity is the keynote

AFTER seven years under construction, the impressive new regional headquarters in Rio de Janeiro of the Brazilian Central Bank will be inaugurated in July. But word has already gone out that it must he a quiet ceremony, with none of the pomp traditionally surrounding bank openings in Brazil.

Now the keynote is austerity and thrift. Average hanking profits last year fell below the rate of inflation for the first time in over a decade; and the current outlook for what was until recently the best performing sector in Brazil is worse.

ratea.

Not that domestic banking in Brazil is in any way static or uneventful. On the contrary. automation is proceeding apace, pulled along by fierce competi-tion between the country's top two banks, Bradesco and Itau. Frequent switches in Government requirements from the commercial banks add to the pressures induce short-term thinking.

Turbulent conditions in the decisive in shaping balance sheets. For example, those banks that were alert enough last year to calculate that de-valuation of the cruzeiro would outstrip inflation made a killing on exchange-linked Treasury

Banco Itau admitted that 44 per cent of its 1983 profits of Cruz. 112bn (U.S.\$ 114m) came from "exceptional factors" such as these. Bradesco attri-buted 30 per cent of its Cruz 138hn (U.S.\$140m) in net profits to the same source.

This year, under Sr Affonso competitors, Comind, a leading

bounds last year on the atrength of its acquisition of two banks in difficult Comercio. difficulties, Residencia and

But the main preoccupation of the Central Bank at present is not the privately-owned banks but the state development and commercial financial institutions. A combination of gross over-indebtedness in Another source of concern ferring the Covernment is the

state sector.

Total indebtedness of the

state banks to the federal monetary authorities is now about Cruz 650bn (U.S. \$465m) at current exchange rates. Assets in liquidation, as a percentage of all loans, doubled between 1982 and 1983 for state commer-Celso Pastore, the new Central Bank governor, those particular Treasury bills, knowns as ORTN's, are being withdrawn in favour of shorter-term bills cial banks and jumped 140 per cent for the development banks. Even so, sharp variations are showing up in the performance of individual state banks. Banespa, in Sao Paulo, produced excellent results in 1983, with pre-tax profits rising comfortably above inflation to linked to "monetary correction," the Government-set system of monthly adjustments to infla-

Meanwhile, many commercial banks now face losses from the ateep rise in their deposits beld by customers in the form of pre-fixed Certificates of Deposit, at a time of declining interest fortably above inflation to SSSm. Baneri, its Rio de Janeiro counterpart, which is heavily burdened by loans to the Rio City Metro, lost the equivalent of \$25.5m equivalent of \$26.5m.

A result of these pressures could well be more shotgun marriages arranged by the Cen-tral Bank between struggling Banco do Brasil, the federally-owned giant of the Brazilian banking system, and one of the top 20 banks worldinstitutions and their bealthier wide, is big enough to ride out year-end

Sao Paulo bank, shot up the any new strains on its "ranking" table by leaps and resources.

But the Government, nonetheless, felt it necessary in March to strengthen the bank's position, through a U.S.\$61m share issue, equivalent to 10 per cent of its capital. Recently

gross over-indebtedness in foreign currency, rising for the Government is the volumes of liquidated assets, housing finance sector following and, in some instances, weak management have combined to create a parlous situation in the ing societies. All were privately and their demands after owned and their demise after Central Bank intervention leaves the sector even more firmly in the hands of Brazil's major finar ial conglomerates.

For most of those foreign banks which were aiready established in Brazil before the gates were closed, the country has continued to be a source of good earnings-and a few nasty

Citibank, whose lending in Cruzeiros last year came to Cruz. 19tr (U.S.33bn), twice that of its next rival, still continues to perform well in the teeth of the foreign debt crisis. Net profits on its operations in Brazil were above inflation last

year. In In contrast, Banco Lar Brasiliero, the Brazilian arm of Chase Manhattan, suffered a number of exceptional losses on its loans portfolio and barely squeezed into profit at the

Inflation undermines progress

Argentina

JIMMY BURNS In Buenos Aires

A BLOCK of buildings in Boenos Aires's San Martin Street—the local "City"—was recently demolished as part of

a redevelopment project.
As the dust cleared, passersby could make out against the skyline a mass of twisted telephone cables spread out like a giant fish net. But the state-owned National Telephone Com-

wires and they are thin.

So where did the giant "fish net " come from? The answer

That the phone cables, remained, after everything around them had toppled to the ground, was an apt image. For all the talk of political and economic change since the end of militurn has taken the atrain of the loan portfolios of local change since the end of mili-tary rule and the assumption of President Raul Alfonsin last December, the "City," in so far as its less reputable activi-ties are concerned, has re-

Brazil

ANDREW WHITLEY

in Rio de Janeiro

Since the end of the Falkland, War, two years ago, Argentine officialdom had tried to exercise a large measure of control over the banking sector which in the years after the 1976 coup, was characterised quite openly by dubious lending practices and a reckless scramble for profits but no substantial contribution economic development.

net "come from? The answer gives us a clue as to the nature of the Argentine banking sector, for there exposed, as a result of a rather shoddy building clearance, was part of the "overground" telephone network used by the wily world of financial speculation which in fally fixed maximums and recent years has been the life-blood of the "City." the introduction of a high minimum reserve requirement.

ally been low. But since last year a financial legislation advisory commission has been

preparing a new law designed to belp Chilean banks to recover

from their burden of bad debt

portfolios and to prevent any repetition of earlier abuses.

The advisory commission's president, Sr Carlos Urenda, has said that the new law will not he so strict as to probibit

he so strict as to probibit bankers from baving other business properties. In a country like Chile, with an underdeveloped financial system, finding banking investors with no significant holdings in private companies would be extremely difficult, he said.

Chilean authorities have

already said that the five viable

banks and finance companies subject to government interven-

tion in January last year (which include the Banco de

Chile) would not be sold to

foreign buyers, despite interested inquiries from Bank of America and other financial institutions. Of the remaining

14 finance companies and banks

private buyers every year.

Assurance

A low level of confidence

Chile

MARY HELEN SPOONER

THE PAST three years have not been good for the Chilean domestic banking system, whose fortunes chronicle the rise and fall of General Augusto Pinochet's experiment in free market economic policies.

In May 1981, 25 financial institutions, incloding branches of international banks, were caught on the hop when a food canglomerate, the CRAV sugar group, to which they bad lent over \$230m in credit without adequate security, collapsed.

Allegations of impropriety and the subsequent poblic out-cry, glong with a two-month luil in foreign lending to Chile. prompted the authorities to look again at the cosy relationship between many Chilean banks and their affiliate companies.

Chile's current banking code, passed in August 1981, imposes stricter accounting practices and tougher collateral requirements for loans, specifically aimed at ending the practices of financial inbreeding between banks and their parent companies.

Seizures

Two months later the banking superintendeocy, citing viola-tions of the code, seized administrative control of eight banks and finance companies. The authorities guaranteed depositors' accounts while proceeding either to liquidate or sell the institutions.

stitutions. the Banco de Chile and other since then a total of 19 banks institutions currently under adand finance companies have ministrative control - but come under Government inler-vention and about two dozen authorities—is likely to be conbank executives have been tinued state administration. jailed for banking cods vio-

The detaioees included Javier
Vial, the former director of the country's largest private bank, would officially take control of the Banco de Chile, the former hanking superintendent Boris
Blanco, and the former Finance and Economy Minister
Rolf Luders

One proposal under study by Sr Urenda's advisory commission is a plan whereby the state would officially take control of the holdings of the Banco de Chile and other surviving financial institutions, selling off a fifth of its sbares to private huvers every year

off the loan portfolios of local some of which had looked shaky. In theory, the aim has been to clear out the system and give it the necessary stimulus to mained doggedly resistant. company economic growth. In

practice, Government policy has been undermined by its inability to control inflation. The continuing rise in the cost of living—an increase of over 500 per cent in the past 12 months—has been the main factor influencing the peculiar_ development of the Argentine banking sector.

There has been a dramatic shift in funds away from shortterm deposits to inflation and exchange rate-linked deposit accounts, both of which have minimum maturities of 180 days. The share of total deposits represented by the latter now stands of over 23 per cent com pared with 12 per cent last year. But this is perhaps not even

side the financial system by buying off potential depositors, for whom 180 days of immobilised money seems like vaccon and Banco de la Provincia de Buenos Aires, have made some progress in this direction under their new management.

This is in strong contraction. half the story. Higher inflation has encouraged hoarding outa lifetime.

Overall deposits have thus fallen dramatically, with Argentines still showing a tendency to buy np physical

All three were arrested on assets rather than save. fraud charges involving the illegal transfers of funds from a shadowy Panama-based bank The most visible result of this contraction over the past year forces themselves.
has been the closure or interaffiliated with the Banco de Chile's parent conglomerate. vention by the Central Bank of over 20 finance companies and credit co-operatives for whom short-term deposits had represented the main source of This bas not belped to credit increase public confidence in the short-to banking system, especially in a country where the level of funds. Internal savings bas tradition—This level, 1 to the country where the level of funds.

This does not explain, how-ever, why the profits of larger the "banks bave kept up. Nearly all Aires.

Underpinning recent reforms the bigger banks are highly as been a refinancing of debts active in the interbank, "call" ontracted by private sector and external bond markets. Foreign banks, meanwhile, are continuing to charge high commissions on letters of credit to importers.

But the least visible and cur-rently most lucrative of opera-tions is officially lllegal. This consists of cross lending behind the scenes between companies for which an agent acting on behalf of a bank acts as broker. It is operated on the basis of interest rates which fall outside Government control.

It is estimated that as much as 30 per cent of loans circulating in the system are transferred in what is known locally as the "parallel market."

Contrast

Since taking power, the Radicals have lowered the minimum reserve requirement out-side the Buenos Aires area in an attempt to attract funds to poorer and less developed parts of the country and en regional development. The two largest commercial banks, both state-owned, the Banco de la Nacion and Banco de la Pro-

the banks main priorities in the days of military rule, when the easiest profits were to be gained from branches abroad attracting foreign funds for on-lending to Argentina-based customers, including the armed

Even so, there are some banks which do not feel too bound by the "ethical" requirements of Sr Alfonsin. They have been using their regional branches for the acceptance of cheap funds which are later on lent back to the "main office" in Buenos Aires.



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Challenge of a new capital market

sation, finds itself with an em-barrassment of riches at a time of low credit demand and over the coming year faces the chal-lenge of a new capital market financial service subsidiaries, which the Government is to sell off to the private sector.

Doubts about the future of the 60 private and mixed capital which the outgoing administra-tion of Sr Jose Lopez Portillo expropriated at the height of Mexico's financial crisis in Sep-tember 1982 have been dissipated as small savers have rushed to swell the coffers of the banking system. Total deposits have more than doubled in the first year and a half of President Miguel de la

Madrid's Government. But while demand for credit has picked up as evidence grew that the Government had broken the inflationary spiral and turned round the country's external accounts, it is still ris-ing at only a quarter of the rate of deposits growth: Last year the inflation rate was brought down to 80.8 per cent from 100 per cent in 1982; by dint of radical, IMF-inspired inflationary poli-cies a current account surplus of \$5.5bn was achieved against 1982s \$4.9bn deficit.

Interest rates began to come down in the second half of 1983 and dropped six points in the first quarter of this year to the average cost of money bench-mark of about 51 per cent (to which the banks add on margins of up to 30 per cent). As posi-tive interest rates on deposits returned the banks trawled in an extra Pesos 1,726.4bm (about \$10bm at current exchange rates) in 1983, against total deposits of pesos 2,238bn at the time of nationalisation and a 1982 increase of pesoa 525.3bn.

The tempo accelerated in the first quarter of this year with liquidity is temporary, a more continue to demonstrate their deposits and private investment fundamental challenge awaits suspicions of state encroacted in Treasury bills growing by

pace, New loans totalled pesos \$1.5bn in 1982, pesos 437.7bn the first quarter of this year. The gap is explained by the

MEXICO'S banking system, in levels of capital investment age bouses, insurance, leasing its first full year after nationalicarried out before Mexico's finand bonding companies. ancial collapse and most of all by growing evidence that the Government will miss its inflation target for this year.

The target was 40 per cent, whareas consumer prices have already risen 21.8 per cent in the first four months. Interest rates began to rise again in mid-May and the shift into longer term deposits evident in the second half of last year—cited by the Government as evidence—h moved into reverse. Speculation has grown that the 13 centavos a day slids in the peso will have to be accelerated.

Mexico

DAVID GARDNER in Mexico City

The banks' low level of busi-ness has cut into profits, already reduced by the need to provide for rising bad debts, estimated at about \$1bn last year. Bank earnings in 1983 were statie in nominal terms and sharply down in real terms at pesos 22.5bn.

These earnings rest largely on lower levels of remuneration from financing the public sec-tor deficit, through the obliga-tory deposit of 49 per cent of funds with the Bank of Mexico and through Treasury bills. Though the deficit was more than halved last year to 8.5 per cent of GDP, a question mark hangs over whether the banks will have the resources to respond to a major revival in credit demand economy shows real signs of

While the hanks' excess them as a result of the Governpesos 769 4bn. ment's decision to sell off shares credit growth has not kept in 339 of the 483 companies in Party (PRI) and the largely PRI-controlled unions, the difference in the rate on short-PRI-controlled unions, the term deposits, now at 48.5 per Government has decided to cent, and an average minimum return to the private sector the charge oo commercial loans of banks' financial service sub-57-58 per cent, by the heavy sidiaries, which include broker- abroad.

This decision offers tha private sector a way back into the financial system, in tune with the de la Madrid Government's efforts to re-establish business confidence, which was rocked

by the banks' take-over.
While the Government has ye to announce exactly how and at what price the financial companies will be privatised, the decision to return them opens up the possibility of a parallel capital market developing in

competition with the state banking system. The brokerage houses and insurance companies could now become an important source ef seed capital, competing to provide funds for industry.

Indeed there are already signs among brokerage houses estab-lished since expropriation and those that were unconnected with the banks of a widening of traditional activity. An unregu-lated intercorporate commercial

provide the ability to offer a wide range of investment banking services, whila tha insurance companies—theoretically—could—provide the ability to offer a hava been required to implement the traumatic exchange of old bank-notes for new—an operation designed to catch and the could be ability to offer a have been required to implement the traumatic exchange of old bank-notes for new—an operation designed to catch and the could be ability to offer a have been required to implement the traumatic exchange of old bank-notes for new—an operation designed to catch and the could be ability to offer a have been required to implement banking services. -theoretically-could provide important financial muscle for the brokerage activity," says a leading local broker. That qualification—"theoretic-

ally"-hints at a wide range of doubts still attached to the pri- throughout the economy. vatisation. First, Treasury officials say privately that the nationalised banks will still bava the right to set np new financial services subsidaries of their own. Secondly, it is not yet clear whether buyers for the subsidaries, or indeed the industrial assets, will emerge Private investment has fallen. 45 per cent over the last two years and Mexican businessmen continue to demonstrate their ment by keeping an estimated \$20bn on deposit abroad and a further \$25bn, officials believe.

pace, New loans totalled pesos bank portfolios. Overriding in foreign property.

Sl.5bn in 1982, pesos 437.7bn strong opposition from the in 1983 and pesos 201.6bn in pationalist Left within the rulth the first quarter of this year, ing Institutional Revolutionary measures will succeed in restoring business coo lence by be-ginning to establish demarcation lines between the public and private sector and so tempt back some of those billions held

the property of the same

Upheaval in Black Africa's key market

FOR ONCE, even the banking sector in Nigeria has failed (£3.4bn) in December 1980, to to escape the twin effects of economic recession and political upheaval which have dominated all forms of a trend which showed no significant to the past year. activity over the past year.

Yet onshore and offsbore, the profusion of banks operating in black Africa's most important financial market have still managed to survive in better condition than most of the businesses and trading houses they represent

Nigeria

QUENTIN PEEL

spending by state and federal

governments, even the priority agricultural sector suffering from irregular and scarce

With lending opportunities to

the private sector limited, Gov-

ernment borrowing has con-

to July, 1983, private sector borrowings from the banks rose

only 8 per cent, while advances to the government sector

Total bank lending to the

public sector rose from N3.6bn

increased almost 80 per cent.

imported inputs.

sharply curtailed.

heads have begun to roll.

Leading bankers in Lagos fear that the worst may be still to come, as institutions which have known nothing but heady and often unco-ordinated expansion over the past decade have to learn how to deal with increasing provisions for bad debts, tigher credit cellings, and

narrower interest rate margins. If the present austerity per-sists for the next three or four years, the banking sector is likely to emerge slimmer, fitter, and more competitive.

In the five months since Nigeria's soldiers decided to seize back power from the civilians they installed in 1979, accusing them of chronic cor-ruption and mismanagement, the banks bava had to cope with two government-imposed upbeavals.

First, they wera called on to paper market has begun to develop, for exampla, as a way of the private sector, previously administered by the Central

> currency hoarders and black marketeers, and drastically reduce tha amount of cash in circulation, but guaranteed at the same time to cause massive disruption and confusion

At the same time the banks have had to live with the uncer-Private investment has fallen appointed, but the first few cant sign of slackening last

As for international lending to Nigeria, the country's dis-tinction has been to run into e short-term rather than medium and loog-term financing crisis.
Medium-term external debt,
while not exactly healthy, still
appears relatively modest in comparison with the big borrowers of Latin America and Eastern Europe: something less than \$11bn in disbursed loans, with a further \$8bn undisbursed.

The problem bas been on the

short-term financing fro where the escalaong balance front, Behind the current economic payments problems from 1982 oowards caused an ever increaspervasive foreign exchange squeeze caused by the halving ing accumulation of arrears on in oil export earnings over the past three years, from more than \$20bn a year to around trade payments, including letters of credit, and open account trading, whether insured or uninsured by the The resulting import cuts official export credit agencies. bave affected every sector of bank lending, with both trading houses and manufacturers badly hit, the construction The Central Bank simply slowed down the approval of foreign exchange transfers to stay within its foreign exchange industry caught both by lack receipts from month to month. maintaining an artificial level of foreign exchange and the simultaneous cutback in public of foreign reserves as close to N1bn as it could manage.

With arrears on letters of credit totalling more than \$2bo by mid-1983, the international banks were the first to agree rescheduling. Two deals agreed with a total of more than 60 Quite apart from the growing number of bankruptcies and closures among importers, manufacturers and construction companies, the banks have seen banks in July and September provided for repayment of the arrears over three years from January 1, 1984, including an interest rate of 1½ per cent over their most lucrativa area of operations, trade financing, the London Interbank Offer

Rate (Libor). In the event, the deal done by the banks has proved to be on considerably better terms than the rescheduling now being negotiated both with export credit agencies and unin-

an interest rate only 1 per cent over Libor.

The result has been considerable reseotment in the business community at the discrimination in favour of international direct involvement in Nigeria. Part of the banks' agreement provided for them to maintain their existing lines of credit to Nigeria, and even open new ones if they saw fit,

New arrears

Few have done so, and bankers are now expressing con-cern at the accumulation of new arrears on new lines of credit, repayable promptly over 21 days, but many of which are still outstanding after 90 days or more. Some estimates put the figure for the new backlog at \$300m to \$400m.

The other factor discouraging offsbore banks from confirming new letters of credit bas been the prolonged delay in reaching any agreement with the International Monetary Fund on a three-year extended credit of between \$2.6bn and \$3.2hn, backed by a stabilisation programme

The talks began in April, 1983, but the problems of gathering adequate information, establishing effective monitoring systems, and abova all disagreement on devaluation of the naira, removing petrol subsidies and liberalising import restrictions, have prevented any final deal being Although agreement with the

Fund is still proving elusive, the new military regime is pressing ahead with tighter monetary policies, and atempt-ing to reduce its yawning bud-get deficit. The 19 state Governmeots, in parlicular, bave been barred from any further foreign borrowings, and will be export credit agencies and unin-sured creditors.

They are likely to bave to accept a deal for repayment of something between \$4.6bn and N1.8bn in committed

The revised budget, published this month, raises minimum interest rates by up to two per ceot, although overall the level of interest rates re-mains far below an inflation rate conservatively estimated at 40 per ceot: minimum deposit and lending rates bave been raised from between 6.5 and 8 per cent to between 8.5 and 10

per cent to between 8.5 and 10 per cent. The maximum rate remains at 13 per cent, so the banks' margin will be squeezed.

An unresolved question is whether the IMF of the World Bank — which is conducting parallel negotiations with Nigeria oo a proposed \$300m structural adjustment loan — will seek some reduction in the level of Government involvement in the banking sector. ment in the banking sector.

In terms of Nigeriao legislation, banks must be at least 60
per cent owned by Nigerians. which in practice frequently means the government owns 50 per cent or more.

Direct controls

However, the Government has not used its equity stake as a means of influencing banks, relying instead on complex and far-reaching direct controls. The least popular are probably the sectoral credit allocations, setting down precise propor-tions of the banks' loan port-

sector.
The most notable development of the recent years of rapid expansion has been the relatively more rapid rise and development of the merchant banks, as opposed to the larger retail banks. Austerity, how-ever, may count against them.

For example, in the severely restricted allocation of foreign exchange available for each bank to ration between its customers, the proportions have been decided according to the average level of business con-ducted by each bank over the last five years. As a result, the small new banks have been given practically no allowance



17.427

i ontail

NIGERIAN BANK FOR COMMERCE AND INDUSTRY

وعاليه والمرابع المعادمة

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SMALLER BUSINESS UNITS

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- 1 DEVELOPMENT BANKING:
- (a) Provision of long and medium term loan and equity finance to business establishments;
- (b) Guarantee of foreign machinery credits; and
- (c) Promotion of industrial projects; (d) Handling documentary bills
- for collection; (e) Underwriting of security
- (f) Loan syndication; and (g) Equipment leasing.
- 2 MERCHANT BANKING:
- (a) Transacting letters of credit business;
- (b) Dealing in sundry credit instruments and commercial papers;
- 3 CONSULTANCY SERVICES:
 - (a) Undertaking of feasibility studies; and
- (b) Provision of investment

advisory services.

It is the Bank's intention eventually to go into limited commercial banking activities for the benefit of the Bank's Loan Clients only. NBCI has correspondent banking relationships with many major banks in the world and has branch offices in all the States of Nigeria. It is thus well-placed to link foreign businessmen with their Nigerlan counterparts particularly those interested in the development of medium and small-scale enterprises.

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and branches as well as prefer-

ential treatment of the other's

customers.
Ned hank's move was seen as

o direct response to Barclay's decision to enfor the martgage

business on its nwn account a

business on its nwn account a year earlier. In addition it may well have heen prompted by old Mutual, Nedbank's largest shareholder and South Africa'o largest insurance group, which nervously watched Barelays acquire in December 1983 a 30 per cept equiry interest in the

per cent equity interest in the third largest insurance group. The Southern, formed by the merger of Anglo American Lafe and Southern-Lafe.

Earlier last year, Standard,

the second largest banking group, acquired joint control of the controlling company of Liberty Lafe, the fourth largest

Liberty Lafe, the fourth largest insurance company. This followed in agreement between Standard and United Building Society (the largest in the country) similar to that between Nedbank and Allied.

Further down the line, Volkstandard and Allied.

rurther down the line, voiss-kas has for several years held a 30 per cent interest in Legal and General's South African offshoot, while Bankorp, which has Trust Bank as its main sub-sidiary, as controlled by San-lam, the country's second

Agreement

BURGAN BANK S.A.K. Kuwait **Balance Sheet**

ASSETS	1983 KD	1982 KD	LIABILITIES	1983 .KD	1982 KD	
Cash and balances with		NO.	Demand, time deposits	NO.	RLU	
banks	52,489,291	32,824,680	and other accounts			
Money at call and short			including contingencies	616,968,689	496,003,74	
notice with banks	8,404,973 .	1,535.313	Certificates of deposit			
Guarantee fund bonds	65,557,847	_	issued	11,707,648	10.864,10	
Treasury bills	18,000,000	12,000,000	Proposed dividend	3,610,261	3,127,10	
Bankers negotiable certificates of deposits at			Total liabilities	632,286,598	509,994,95	
cosi		1,640,114	SHAREHOLOER'S EQUITY:			
Quoted investments Deposits with banks	6,859,422 98,674,092	8.044,462 86.058.970	Capital — authorised and issued shares of KO 1 each:			
Loans and discounts	383,644,984	372,904,037	Government of Kuwart	12.316,500	10,710,00	
Inquoted investments	8,363,411	13.526,158	Private shareholders	11.833.500	10,290,00	
Land and buildings al cost Other assets	19,395,386 25,083,920	7,100,000- 22,211,891		24,150,000	21,800,00	
			Less shares not subscribed	81,594	152,64	
			Issued and tully paid	24,068,406	20,847,35	
			Statutory reserve including share premium of KO 22,226	_		
			373 (1982 - KD 20, 456, 112)	24,147,154	21,876,69	
			Voluntary reserve	5,915,000	5,064,73	
			Undistributed profits Total shareholders' equity	56,168 54,186,728	61.899 47,850,679	
TOTAL ASSETS	686,473,326	557,845,525	TOTAL (JABILITIES AND SHAREHOLDERS' EQUITY	686,473,326	557.845.62	
iabilities of customers for etters of credit.			Letters of credit,		20. (010)02	

Statement of Net Profit and Appropriations For the year ended December 31, 1983								
	1983	1982		1983	1982			
Net profit after charging	KD	KD	Proposed appropriations:	KD	KD			
expenses, provisions for			Statutory reserve	500,200	451,848			
contingencies, contribution to the Kuwait			Voluntary reserve Shareholders — bonus	850,266	903,696			
Foundation for the Advancement of Sciences,			issue of 15% (1982—15%)	3,610,261	3,127,103			
and transfers to inner			Directors remuneration	47,000	47,000			
reserves	5,002,000	4,518,475	Total proposed					
Unappropriated profit at the			appropriations	5,007,727	4,529,647			
beginning of year	61,895	73,067						
	5,063,895	4,591,542	Unappropriated profit	56,168	61,895			

81,721,172

519,566,797

quarantees on behalf o

Ali Jarrah Al-Sabah Chairman and Managing Director

85.229.506

Basel F. Al-Sultan Deputy Chairman

Abdulaziz A. Al-Jassar General Manager

85,229,506

771,792,832

61,721,172

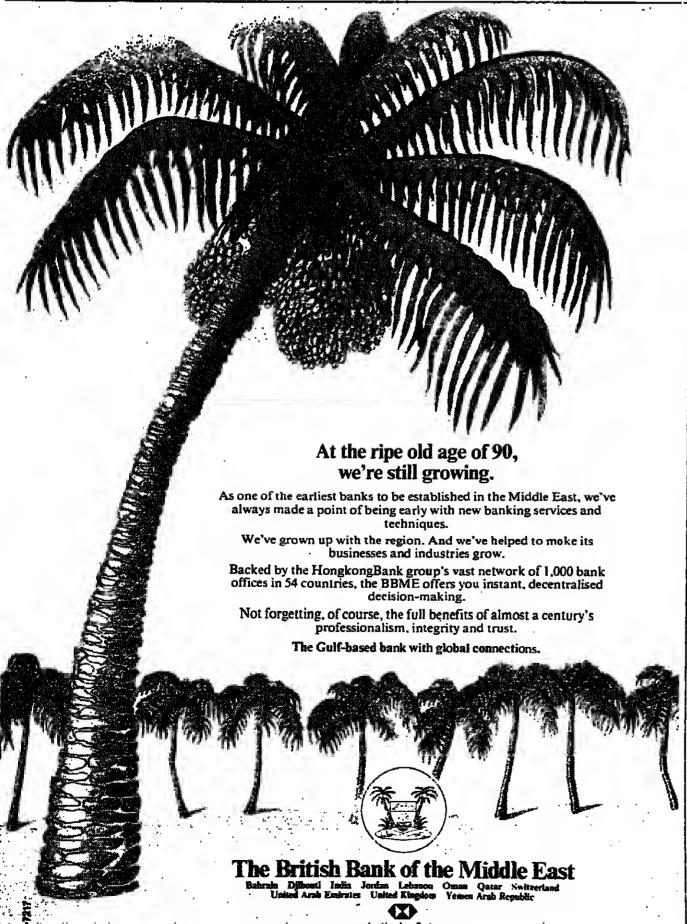
619,566,797



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Major banking groups all advance in profits

South Africa

JIM JONES

fundamental change.

Progressive deregulation and the ending of an inter-hank cartel have led to greater competinon for business and mar-ket share: the banking industry is steadily moving into areas previously dominated by com-peting financial institutions; and the growth of electronic banking is gathering pace.

In the process each of the five major banking groups has reported strong profit advances,

while large parts of the country's corporate sector are caught in the toils of recession.

Any residual competitive restraints vanished in February 1983 with the termination, at the insistence of the Registrar of Banks, of the pricing cartel, the Register of Co-operation. better known by its acronym Roco The demise meant that the banks were no longer prevented from paying interest on current accounts, and this was seized upon as a potent market-

and deposits. Customers could be forgiven ratios.

or some bewilderment at the Almost every relaxation of for some bewilderment at the Almost every relaxation of array of services spawned in the post-Roco competitive free-for-all. They were probably just as bewildered by the fact that the creases in lending rates. None-for-all array of services spawned in the liquid asset ratio requirements was seen as a move by differences between the banks that Reserve Bonk to limit increases in lending rates. None-for some bewilderment at the Almost every relaxation of vironment should lead to a varrowing of the existing that the properties of the competitive entires array of services spawned in the liquid asset ratio requirement.

the heightened compelition, the added cost of paying interest nn previously free current account balances and presistent complaints by bank executives that restrictions were narrow-that highest paying at 21 per cent, with the exception of the 20.5 per cent third largest building society. The agreement embarces use of the complaints of the complai ing margins to unacceptably SOUTH AFRICA's banks low levels, have not been are in the middle period of fundamental change.

growth rates.

In 1983 the major banks reported an overage 25 per cent advance in disclosed after-tax profits against 35 per cent two years before. On the other hand the against on hand the average return on assus of the mojor banks had increased to 1.07 per cent in 1983, ogainst 1.04 per cent in 1982—and this progress was made during a year in which the South African economy went into reverse.

Liquid assets

In the main, profit odvances resulted from increased business volumes which, in turn, were made possible hy progressive deregulation of banking opera-tions. Onerous liquid asset requirements have been steadily relaxed by the Reserve Bank and most banking sector analysts expect further liquid asset ratio reductions this year hefore the Reserve Bank switches to services, particularly since that ing tool in attracting customers regulation based on cash reserve

financial fortunes

The result of deregulation bas heen a surge in lending, porticularly as individuals borrowed their way through the recession, and a money supply running out of control. The growth in lending is amply illustrated by the fact that the total assets of Barclays National, the country's largest banking group, increased by 19 per cent in 1983 to

Those of Standard and Volk-skas were 15 per cent bigher on the year, Bankorp registered a 14 per cent increase, and Ned-bank a somewhat more pede-strian 5 per cent. Competition has not been

authorities' determination to enhance the competitive en-

Sharp contrasts in

North Africa

FRANCES GHILES

THE THREE Maghreb countries today present to the outside world snarply contrasted economic and financial faces. While Morocco struggles with a serious foreign debt rescheduling problem, Tunisia is making a major effort to prevent its foreign financial position from deterio-

Algeria, meanwhile, is tightening its belt as foreign oil and gas income declines this year from the \$12.7bn level reached in 1983. Its minister of M Abdellatif Jonalin that most principal debt owed between September 1 1983 and December 31 1984 be rescheduled. The bankers ogreed but a dispute over the eventual role ment, to become more of the Kingdom's central bank specialised in the Sectors they -which the hanks would like to see co-sign a guarantee the new agreement—remains unre-solved and a final settlement bas still not been reoched.

The hanks are now getting nervous as they know that in September they will hove to sit down with the Moroccans to negotiate obout the principal of the debt which falls due next year. That will certainly have to be rescheduled in the light of its serious financial position has not changed much.

Rapid change

Where the DIF and the Club of Paris are concerned, Morocco has moved forward much more a second tranche from the SDR 300m loan it relocated with the IMF last summer, tha terms of which had to be renegotiated These forced the Government to stall on a certain number of increases which would have fur-ther cut food subsidies.

The Club of Paris, meanwhile, agreed to reschedule 85 per cent of the \$1.15bn worth of government loan to Morocco, payment of which falls due between Sep-tember 1 1983 and the end of this year. That agreement was signed last outumn. The foreign hanks are, thus, the late settlers and they are only hoping they will reach some kind of compro-mise with the Moroccans before the month of fasting, Ramadan,

which starts on June 1.

Morocco's externol financial position looks like being a major cross for some years ahead. Better rainfoll last winler may avert a fall in living standards, but the reioing in of the foreign trade deficit is being achieved at the cost of many jobs.

Furthermore, as the price of phosphates is picking up only slowly ond the conflict over the future of the Western Sahara shows no sign of an early solution, o debt service ratio of about 45-50 per cent of exports ond services is not going to improve dramatically. The contrast with neighbour-

ing Algeria where per capila income is about three times that of the Moroccans is sharp. Algeria certainly faces a tight financial situation, but the reduction in the foreign debt, now believed to stand around \$15.5bn, and the growing re-course to trade credits and loans from Arah funds means that shortage of foreign capital is the least of the worries of

ease the foreign financial posi-Algerian leaders. Indeed, changes in the running of the economy curtion of the Kingdom. Tunisia continues to treod cautiously in the foreign finanrently being implemented are proving very slow and cumber-some. Decentralisation has reciol front-avolding mistakes

sulted in decisions laking even longer than two or three years the price of bread led to serious rioting throughout the country. ogo, The presidential elections in Jonuary and subsequent appointment of a new Governrioting throughout the country. Much bere is predicted on the price of oil, a major export the computer infrastructure earner, tourist receipts and good rain.

Algeria, meanwhile, continues to run a very conservative financial and borrowing policy, concentrating on trying to lighten the weight of an extraordinary cumbersome bureaucracy and hoping to turn its agricultural competitive. But they are to remain ment also held up matters as did o long, drawn out campaign last summer and autumn. But, expecting a decline in foreign income this year and

faced with very heavy debt re-payments—maybe as much as Sibn—the government an-nounced a budget in January based on an estimated fall in hoping to turn its agricultural sector around. That alone could foreign income of about \$1.5bn If events take a turn for the called Morocco's foreign bank belter, budgetary allocations more than \$2.5bn. creditors to Rabat to request can olways be raised in mid. So, the irony Algeria—and Tunisia—who are trying to avoid too great re-course to foreign loans. Morocco, The major Algerian banks are meanwhile concentrating on

> follow and to act as the guardians of orthodoxy where the financing of projects is coocerned. They occasionally make o foray inlo the market and the \$800m loon the Banque

tryiog to improve their manage-

Nationale d'Afrique and the Banque Exterieure d'Algerie jointly raised last November provided ample proof of the market's appetite for Algerian

As repayments schedules are presently very heavy, and Algerio has ahown a capacity roughly to maintain its foreign income so far, bankers are greedy for more paper. There is little of it for credit worthy customers around in the Third World today. Tunisia, mean-while, sometimes comes to the international capital markets but overail remains a cautious horrower. With debt service of 17 per ceut, compared with Algeria's around 30 per cent and Morocco's 50 per cent, its prudence is well illustrated.

It has concentrated all its effort in recent years in obtaining money on concessionary terms: for this purpose a string of banks associating Tunisia and Arab funds have been set up in Tunis where they are already playing an activa role. also active investors in Tunisia. The former have shown themselves interested in the tourist sector and agribustness while Kuwaitis have been investing in those industries hased on phosphates and also real estate.
Probably there are too many
new joint Tunisian-Arob banks in view of the size of the Tunisian economy, but at least the money is flowing into an economy which has been chronically short of It.

Historic link So, although they ore neign-

bours and 5bare much which is common in their historystrong links with because of former colonial days — the three Maghreb countries are travelling rather different roads at present Morocco is saddled with a very serious debt problem which is unlikely to be solved either easily or quickly—even assuming agree-menl is reached on the role of its Central Bank plays in the final agreement with the foreign banks. Only a sharp rise in the price of phosphates or an end to the war-or the discovery of some gas or oil maybe-could

are easily the highest real rates each other's automated tellers since before the 1939-45 war.

R12.63hn

confined to traditional banking business. Rather, the main banking groups, looking over their shoulders at the inroads being made in the corporate lending sector by foreign banks, have pushed diversification

largest insurance group.

These acquisitions and alliances stem, in part, from the extension of electronic hanking and accounting systems throughout theindustry.

throughout theindustry.

In the next three years, by way of example, the banks, building societies and Post Office expect to treble the number of automatic teller machines in operation to approximately 3,000. That is being accompanied by the introduction of Saswitch, a company owned by a consortium which includes Nedbank, Barciays, Trust Bank and Allled. such as the one made earlier this year when the doubling of

Trust Bank and Allied.
Natol Building Society,
Permanent Building Society
and the Post Office will provide

competitive. But they also fear that Saswitch, which, everyone agrees, will eventually be joined curtail the growing cost of food agrees, will eventually be joined imports which last year rose to by Standard and its associates,

will sharpen the competition. So, the irony remains. The hankers would prefer to lend to local smaller banks with limited branch networks such as Indo-sucr's South African subsidiary French Bank, as well as foreign banks, could link into the system; and that would give them greater marketing oppor-tunities than exist at present

WORLD BANKING SURVEY

PART ONE of this survey appeared on Monday, May 21, 1984.

which desperately needs new money is unlikely to get it in present circumstances, at least

from bankers.

Major sections of Part One examined the international economy, the world debt examined crisis, the market and a review of individual countries in North America and Europe, In the section on the world

economy, correspondents re-ported on the improvements expected this year; the trends in capital flows and the cut-back in U.S. lending abroad. Articles on the world debt erisis examined rescue programmes and the work of the International Monetary Fund and the World Bank.

In a review of the markets, writers reported on the inter-bank market; Euromarkets and syndicated loans; Eurobonds; foreign exchange; the gold market; and financial futures.

The complete FT survey on World Banking will shortly be reprinted as a booklet, price £3. Full details and an order coupon appear on Page 20 of this Survey.

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